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Politics
Picking the date of the UK election
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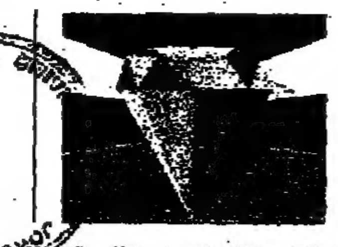

Russia
Diamonds, deals and intrigue
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TOMORROW'S
Weekend FT
The FT's five-part Christmas special starts tomorrow

World Business Newspaper http://www.FT.com FRIDAY DECEMBER 20 1996

Rhône-Poulenc and Merck link on animal drugs

Merck of the US and Rhône-Poulenc of France say they will pool their animal health businesses. The 50/50 Merial joint venture will bring together the veterinary activities of Rhône Mérieux and Merck AgVet. With annual sales of \$1.7bn, it will be a world leader. Page 21

Trader wins right to \$1m bonus pay: Joseph Jett, the US bond trader accused by Kidder Peabody, his former employer, of creating \$350m in fictitious profits, has won the right to draw \$1m of bonus pay that has been frozen since 1994. The ruling was by the National Association of Securities Dealers.

GKN may face \$554m damages: UK engineering group GKN warned that it could be hit by damages of up to \$554m after losing a compensation claim case against one of its US car parts subsidiaries. Page 21; Lex, Page 20

Banks invest in Venezuela: Spain's leading banking groups, Banco Santander and Banco Bilbao Vizcaya, continued their race in Latin American by buying into Venezuela's two top private sector banks. Page 21

Swissair warns of loss: Shares of Swissair fell by more than 5 per cent after Switzerland's national airline warned it might incur a loss for the second successive year. Page 21

Hanoi attacks foreign banks: Vietnam's central bank criticised the country's 22 foreign banks for "common problems" including a reluctance to lend domestically, a failure to observe foreign currency lending rules and poor training of Vietnamese staff. Page 4

Germany to cut business tax rates: The parties in Chancellor Helmut Kohl's coalition government agreed to cut top tax rates for businesses from January 1998, to stimulate investment and jobs and as a step to reforming income and corporation tax systems. Page 2

Probe into Nazi gold: Swiss historian Jean-Francois Bergier will head an international investigation into Switzerland's role as a financial centre during the second world war and its relations with Nazi Germany. The probe is expected to shed light on the fate of looted Nazi gold. Page 2

Monica Seles loses knifing lawsuit: A court rejected a claim by Monica Seles for \$16m from the German Tennis Federation for the 1993 knife attack by a spectator at the Hamburg Open that kept her out of the sport for two years. Page 2

Aircraft orders soar: The world's top aircraft makers are ending the year with the highest number of orders for six years. Boeing, the US leader which intends to take over McDonnell Douglas, has won 645 orders worth \$47bn, while Airbus Industrie, the European consortium, has 309 orders. Page 6

Solvay, the Belgian chemical company, finalised purchase of a 60 per cent stake in Sodi Devnaya, Bulgaria's most profitable chemical company, for \$160m in cash and a pledge to invest \$67m over five years. Page 3

Cigarette-maker is Ulster bound: Gallaher, the UK tobacco firm, is switching operations to Ulster, resulting in the loss of nearly 1,000 jobs at its Hyde factory in Manchester but creating 300 jobs with a \$66.8m investment at Lisnafillan, near Ballymena, Co Antrim.

Actor Marcello Mastroianni dies at 72

Marcello Mastroianni, screen symbol of the Latin lover, died at his Paris home. He reportedly had suffered pancreatic cancer. At his bedside were French actress Catherine Deneuve, their daughter, Chiara, and Mastroianni's daughter Barbara by his wife Flora. Since his debut in 1947, the Italian actor starred in more than 120 films, won two best actor awards at Cannes and was nominated for an Oscar.

Century for Flower: England were 48 for one at the end of a rain-shortened second day in the first cricket test against Zimbabwe in Bulawayo. Earlier the home team had made 376, with Andy Flower scoring 112.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,402.5	(+56.13)
NASDAQ Composite	1,294.07	(+8.69)
Europe and Far East		
CAC40	2,248.70	(+29.81)
DAX	2,807.75	(-13.0)
FTSE 100	4,051.3	(+33.1)
Nikkei	19,570.67	(-522.36)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.968%
Long Bond	98⅞
Yield	6.632%

OTHER RATES

UK: 3-mo Interbank	6 13/32%	(6 3/8%)
UK: 10 yr Gilt	99¼	(98¾)
France: 10 yr OAT	105.07	(104.95)
Germany: 10 yr Bond	102.84	(102.57)
Japan: 10 yr JGB	104.5298	(104.149)

NORTH SEA OIL (Argus)

Brent Dated	\$24.215	(23.68)

GOLD

New York: Comex		
(Feb)	\$371.1	(371.3)
London:		
close	\$369.2	(369.05)

DOLLAR

New York: lunchtime		
£	1.6635	
DM	1.5595	
FFr	5.29195	
SFr	1.3357	
Y	114.10	
London:		
£	1.6625	(1.6725)
DM	1.5601	(1.5544)
FFr	5.2707	(5.2533)
SFr	1.3392	(1.3317)
Y	114.040	(113.665)
Tokyo close:	Y 113.80	

STERLING

DM	2.5936	(2.5998)

Albania	LEK 275	Gibraltar	£0.75	Lithuania Lts 18.00		Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK\$20	Malta	Lm0.70	Singapore	S\$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£90.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 8.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (mainland)		Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500		Es285	UAE	Dh13.00

Unemployment expected to remain problem in industrialised nations

OECD predicts faster growth

By Graham Bowley in London

The world's industrialised nations are heading for a period of faster growth with little risk of inflation, the Organisation for Economic Co-operation and Development said yesterday.

But the Paris-based body, which acts as a think-tank for 29 of the world's industrialised economies, warned that unemployment would remain a big problem, especially in mainland Europe.

It also downgraded its forecasts for growth next year in four out of seven of the world's leading economies.

In its latest half-yearly economic report, the OECD forecast that growth across the industrialised world would be 2.4 per cent next year, slightly less than the 2.5 per cent it predicted in the summer.

But this follows a more upbeat analysis of growth this year. Gross domestic product in 1996 is estimated to rise 2.4 per cent, higher than the 2.1 per cent predicted six months ago. Growth in 1998 is forecast to rise to 2.8 per cent.

The UK and Canada will be the fastest growing economies among the Group of Seven leading industrial nations next year, Italy and Japan the will be the slowest.

The OECD said the prospects for sustained growth and low inflation in the UK were the best for 30 years, helped by buoyant consumer spending and a recovery in investment.

The organisation said growth had become more balanced across the industrialised world with a "robust and sustainable" expansion continuing in the US. Japanese and continental European economies were also strengthening after a sluggish performance over the past two years.

Despite the improved outlook, the organisation said growth of output and living standards were likely to fall short of postwar achievements in all leading OECD regions.

It called for countries to step up efforts to make labour markets more flexible and to make inroads into government borrowing and debt.

In Paris, Mr Kumiharu Shigehara, OECD chief economist, said of the forecasts: "The major blot on this picture is the high unemployment that will persist in Europe, even if it should decline somewhat in the next couple of years."

The OECD said most European countries including Germany, France and Italy were within reach of qualifying for the public borrowing criteria for monetary union, but only if governments implemented planned budget cuts.

Germany is forecast to have a budget deficit next year of 3.4 per cent of GDP, above the Maastricht limit, though this could fall to 3 per cent if promised spending cuts are made.

But the OECD warned that countries' efforts to cut public borrowing to qualify for the single currency were taking a toll on economic growth.

It argued that countries should be able to cut interest rates to foster stronger growth without risking higher inflation as long as they made genuine commitments to sustained reductions in public borrowing.

The OECD shaved down its forecast of German growth next year to 2.2 per cent from 2.4 per cent and halved its prediction of Italian growth next year to 1.2 per cent.

But it stepped up its forecast for the US. The US economy is expected to grow 2.2 per cent next year and 2 per cent in 1998, slightly slower than the 2.4 per cent predicted for this year. The US federal funds interest rate is forecast to rise by a quarter point early next year.

The Japanese economy is forecast to slow in 1997 after surging this year. But its economy should recover again in 1998 as interest rates remain unchanged in 1997 but rise in 1998.

Elf offers to sell control of Sanofi drug group

By Daniel Green in London and David Buchan in Paris

France's Elf Aquitaine offered to sell control of Sanofi, its pharmaceuticals business, yesterday, setting the scene for another multi-billion dollar deal in the drugs sector.

Sanofi should "move nearer other pharmaceutical laboratories, through a merger, in order to speed up its development and increase its profitability", the oil company said.

Elf has a 53 per cent stake in Sanofi and wants to "remain an important shareholder".

Sanofi's market value of about FFr50bn (\$9.52bn) puts it about 20th in the world ranking of pharmaceuticals companies by sales, together with Zeneca of the UK, Eisai of Japan and Warner-Lambert of the US.

The merger proposal sent the share prices of Elf and its quoted subsidiary up sharply on the Paris Bourse. Elf rose by 4.5 per cent to close at FFr455.8 with 1.3m shares traded. Sanofi put on 6.2 per cent to close at FFr494 with 713,000 shares traded – nearly 10 times the previous day.

A takeover would mark the latest stage in a series of mergers and acquisitions in the drugs industry worth more than \$100bn in the past three years.

French companies have largely been left out of the deal-making although earlier this month Germany's Hoechst, which holds 56.53 per cent of French pharmaceuticals group Roussel Uclaf, made a FFr18.1bn offer to buy out minority shareholders.

The biggest deals in recent years included Glaxo's £9bn (\$15bn) takeover of Wellcome of the UK and American Home Products' \$10bn acquisition of American Cyanamid.

Of French-controlled companies, Sanofi is second in size only to Rhône-Poulenc, the chemicals company which has a controlling stake in US-based Rhône-Poulenc Rorer.

RPR is a logical partner for Sanofi because of its strength in North America, where Sanofi relies on its partners Bristol-Myers Squibb and Searle, part of bioscience company Monsanto.

However, Mr Igor Landau, Rhône Poulenc's managing director, said yesterday: "In pharmaceuticals we are very strong in six major areas. We are not interested in an alliance or an acquisition."

Sanofi is also understood to have held merger talks in recent months with Searle and

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Negotiating teams head for Lima

Japanese prime minister Ryutaro Hashimoto (right) addresses a task force set up to handle the hostage crisis at the Japanese ambassador's residence in Lima. Negotiating teams from up to 12 countries were arriving in Peru yesterday to help negotiate with the leftwing guerrillas who stormed the residence on Tuesday, taking at least 200 hostages. Report, Page 8 Reuter

Germany sets money targets to help Emu

By Andrew Fisher in Frankfurt

The Bundesbank yesterday set its sights firmly on European monetary union by fixing a two-year money supply goal which should reduce market uncertainty before the D-Mark's planned replacement by the euro in 1999.

The decision will put pressure on the proposed European central bank (ECB) to use money supply as a central instrument of policy.

Mr Hans Tietmeyer, president of the Bundesbank, said he saw "a very good chance" that the ECB would put the targeting of money supply at the centre of its monetary strategy. "This is a clear stability signal for the markets." It would help create public confidence in financial stability ahead of Emu and help give the ECB "as frictionless a start as possible".

However the decision on which monetary strategy to use would be up to the ECB. Some central banks, including the Bank of England, prefer to target inflation rather than the money supply.

The announcement marks a break with tradition for the German central bank, which has set one-year money supply targets since 1975, although it has not always met them. At its pre-Christmas council meeting yesterday, it fixed target rates for both 1997 and 1998 of 5 per cent growth in M3, the broad monetary aggregate that covers cash and short-term deposits.

This compares with a target range of between 4 and 7 per cent for this year. For 1997, it eased the range to between 3.5 and 6.5 per cent to allow for potential growth in production of some 2 per cent, medium-term inflation of 1.5 to 2 per cent and the speed with which money circulates in the German economy. It will decide on upper and lower M3 growth limits for 1998 in a year's time.

Mr Theo Waigel, the German finance minister, welcomed the Bundesbank's decision, saying this "underlines its commitment to contributing towards the creation of a stable European currency in

Continued on Page 20

Record exports prompt big fall in US trade deficit

By Nancy Dunne in Washington and Philip Coggan in London

The US trade deficit fell sharply in October, dropping from \$11.4bn in September to \$8bn, the Commerce Department said, as exports soared to a record \$71.7bn.

However, the politically sensitive deficit with Japan surged by 31 per cent to almost \$5bn, the worst US showing in 14 months, mainly due to a jump in car imports. The deficit with Japan just surpassed the US trade gap with China, at \$4.9bn, foreshadowing more US trade tensions with both countries.

Most of the overall decline in the deficit was due to a rise in civilian aircraft sales – a notoriously volatile sector – which the Commerce Department said accounted for \$1bn of the export increase. Foreign sales of telecommunications equipment and information technology products also rose substantially.

The October deficit was much narrower than Wall Street economists' forecasts. Morgan Stanley, the investment bank, said the trade data had "positive implications" for the fourth quarter gross domestic product, although "it would obviously damage the view that the economy is on a slowing trajectory".

The bank predicted that consensus forecasts for fourth quarter growth would "begin to move into the 3-3.5 per cent range".

The decline in the deficit, and a weaker than expected Philadelphia Fed survey, were welcomed by the US Treasury bond market, where the benchmark 30-year issue was more than half a point ahead at 1pm New York time. The US Treasury was auctioning \$12.5bn of five-year notes yesterday.

Stronger Treasury bonds gave a lift to shares on Wall Street, where the Dow Jones Industrial average continued the rebound it enjoyed on Tuesday and Wednesday. In late trading it was up more than 100 points at about 6,449.

In turn, the strength of the US market helped European bourses to rally. Paris gained 1.3 per cent while in London, the FTSE 100 index, helped also by hopes of more bid activity, jumped 33.1 to 4,051.3.

Mr Mickey Kantor, US commerce secretary, dismissed the rise in the deficit with Japan as typical for the start of a new car model year.

The Coalition of Service Industries noted that the services surplus with Japan was \$9.1bn during the first half of 1996, offsetting 40 per cent of the goods shortfall during the period.

Imports were \$79.7bn for the month, up \$2.9bn from September. Mr Kantor said the growth in exports was slightly outpacing the rise in imports. He contended that only the export side of the equation was significant because "two-thirds of imports are raw materials or component parts for finished goods which we either re-export or add value in the US".

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CONTENTS

Chemical workers keep full-rate sick pay in pact that follows engineering industry pattern

Low wage rise in fresh German deal

By Wolfgang Münchau in Frankfurt

German chemical industry employers and employees have agreed the lowest wage rise for a generation, in exchange for a deal to keep sick pay at 100 per cent of wages.

The structure of the deal in Germany's second biggest industry is typical of this year's wage round in several sectors and regions, as high unemployment forces unions to forgo big wage rises.

The chemical sector deal closely resembles an engineering industry agreement. In both cases, the unions won a contractual pact for full sick pay, even though the government recently cut the statutory minimum sick pay levels from 100 to 80 per cent.

Under the chemical industry pact, 590,000 west German workers will receive a 1.5 per cent pay rise in line with inflation. In return for full sick pay, the 13th-month bonus will be cut by 5 per cent. Taken together, the deal barely keeps real wages from falling.

The trend for the round of wage accords, following the cut in statutory minimum sick pay (an attempt by the government to cut Germany's high labour costs), follows the pattern set by the engineering sector.

These engineering sector deals (the first reached in Lower Saxony a few weeks ago) cover two years, with a 1.5 per cent wage rise in the first year, and 2.5 per cent the second. The Christmas bonus falls from 60 per cent of the monthly wage to 55 per cent; sick pay continues at full scale.

The DGB, the German union federation, says 10m employees are covered by 100 per cent sick pay. This marks a considerable victory for Germany's trade unions, for whom the sick pay fight has taken on symbolic significance.

The employers are relatively content because the agreements avert strike action, unpalatable during an incipient economic recovery, and because actual reductions in unit wage costs are implied in most cases.

Mr Werner Stumpfe, president of Gesamtmetall, the engineering employers, said the deals had weaknesses: they give employers no incentive to hire more workers and they keep the old sick-pay awards.

The chemical employees were not jubilant. An official said: "This is the best deal to be had as things were".

Chemical employers in particular failed to renew their pledge from last year to retain employment levels, though they did give a commitment over training.

The agreement is seen as good enough for Germany's system of regional industry-wide wage bargaining to survive.

Currency 'contact' denies any links

By Clay Harris in London and Dawell Roberts Tien in Stockholm

The man listed as New York "contact person" for Fairbank, the currency trading company under investigation in Sweden, claimed yesterday his name had been used without his permission or knowledge.

Mr Evans Tso, an employee of J P Morgan, the US bank, confirmed the Manhattan address listed on company documents as the representative office of Fairbank (New York) Ltd was that of his apartment. J P Morgan had no comment.

He said: "I have no business interest, no financial interest in the firm. They have no ownership of anything in New York. I've no idea what's going on".

Mr Tso said he had known Mr Dannis Cheung, Fairbank's director, since student days. "He is the cousin of my uncle's ex-wife," Mr Tso said. He had last seen Mr Cheung in London in mid-year.

Mr Tso said he also knew Mr Kenneth Yeung, who ran Fairbank's London operation, and Mr Hugo Lau, listed as contact for Fairbank's Hong Kong office. He said he planned to take legal action against Fairbank.

Fairbank has marketed a high-risk currency speculation scheme to ethnic Chinese investors in Sweden. After exposure of the losses suffered by many of them, a prosecutor in Sweden's serious economic crimes squad launched an investigation. Mr Cheung this week dismissed all the staff and sought to put the company into voluntary liquidation.

The FT has learned the Swedish company was a "pass through" operation acting as agent for a company called Fairbank Currency Exchange LLC. "Money went straight in and straight out," an external professional who investigated Fairbank's Swedish operation said. His conclusion supports accounts by former Fairbank employees, made in statements to Swedish police, that cash was regularly transferred from Stockholm to London.

Fairbank LLC is a limited liability company registered in the US state of Delaware. Internal company documents list an address for it in Old Compton Street, Soho, London, the same as Currency Exchange Services, which supplied prices to Fairbank in Sweden.

The same office had also been used by Pagoda, Mr Cheung's previous UK currency trading company, which is under investigation by the UK's Serious Fraud Office.

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Bonn to cut top business tax rates

By Peter Norman in Bonn

The parties in Chancellor Helmut Kohl's coalition government yesterday agreed to cut top tax rates for businesses from January 1998 in a bid to stimulate investment and jobs and as a first step to reforming Germany's income and corporation tax systems.

However, Mr Theo Waigel, the finance minister, stressed that the changes would be revenue-neutral – balanced by broadening the tax base through cutting companies' tax allowances and privileges.

He insisted Bonn's tax reform plans would not prevent Germany bringing its 1998 government deficit below the 2.5 per cent of gross domestic product already planned for next year as part of a policy of meeting the Maastricht criteria for economic and monetary union on a sustained basis.

As a step towards opposition demands for an "ecological tax reform" the minister said Bonn would seek European Union permission to levy a special value added tax on energy consumption higher than the present 15 per cent VAT rate.

Giving an interim report on the work of the government's tax reform commission, Mr Waigel confirmed that the solidarity surcharge – added to income tax and corporation tax bills to help finance eastern Germany – would be cut to 5.5 per cent from 7.5 per cent from the start of 1998 at a cost to the government of DM7.5bn ($4.8bn) a year.

The two percentage point cut handed a much needed political victory to the small Free Democrat party, which two months ago precipitated a crisis in the coalition after it had been forced to accept the postponement of a cut in the surcharge that was due at the start of next year. The FDP will now be able to boast of its success as a tax-cutting party at its traditional Epiphany rally in Stuttgart next month.

Mr Waigel refused to say how far the government planned to cut the rates on income and corporation tax for businesses or how it would finance the moves. Such details, together with Bonn's plans for a thorough reform of the income tax system for individuals from 1999, would be published after the commission's final meeting, scheduled for January 22, he said.

Meanwhile, the government plans a separate initiative to ease the tax burden on businesses in 1997. It will introduce legislation next month to scrap the local trading capital tax, which finances local government.

Mr Waigel has tried to abolish the tax in the past, only to see his efforts founder on the opposition of Social Democrat controlled states, which have a majority in the Bundesrat, the second chamber of the Bonn parliament representing the states.

Diamonds are no longer forever

The very fate of Russia's gem industry hangs between the icy depths of Siberia, Moscow and Johannesburg, writes **John Thornhill**

Mirny is in many ways a regulation Soviet town of nondescript pre-fabricated tower blocks and smelly water, with a bust of a granite-faced Lenin still glowering over the main square.

But this town of 40,000 people is remarkable for two reasons – one geological, the other geographical.

Located in the icy depths of Siberia more than 8,000km east of Moscow, Mirny lies at the heart of one of the world's richest deposits of diamonds, producing about a quarter of global supply.

It also ranks as one of the coldest permanently inhabited places on earth, where temperatures drop to minus-60 degrees Celsius in winter, turning the extraction of luxury gems into a life-threatening battle against the elements.

But as Mirny's resilient residents, a mixture of indigenous Yakut peoples and Russian pioneers, mingled in the town's outdoor street markets this week, they had far more than the weather on their minds.

The very fate of Russia's diamond industry is being decided in a bitter high-stakes struggle involving Moscow's ministries, the regional government of Sakha (formerly Yakutia) republic, and the De Beers corporation of South Africa, which has bought the bulk of the country's diamond output for the past 35 years.

On Wednesday, De Beers turned up the heat by angrily threatening to tear up its $1.2bn-a-year marketing contract with Russia at the end of the year unless a new agreement was quickly approved. It has grown increasingly frustrated at unofficial "leakages" of Russian diamonds on to the world markets, recently running at a rate of $80m a month.

Mr Vyacheslav Shtyrov, head of Almazy Rossii Sakha (ARS), the local diamond producing company, says the uncertainty over the De Beers agreement, which has dragged on for almost a year, is harming the development of the local industry. It is also frustrating ARS's plans to raise $500m from international banks to exploit new deposits.

"The history of the past 65 years has shown that De Beers has succeeded in supporting a high price for diamonds," Mr Shtyrov says in a stern defence of the agreement. "It is thanks to this that different branches of the industry in many countries of the world and many hundreds of thousands of people working in this industry have had guaranteed jobs and high incomes."

Mr Shtyrov, who is also vice-president of Sakha republic, blames the federal government's delay in approving a preliminary three-year agreement signed with De Beers in February on "powerful forces" in Moscow which wished to grab control of the industry. He hinted that they had been leaking diamonds on to the world market in an attempt to establish independent export channels.

He also blamed them for fanning a media campaign against the company, spotlighting alleged tax abuses.

"ARS," wrote the Izvestiya newspaper recently, "which already contributes nothing to the federal budget and has virtually suspended payments into the local budget, is gradually becoming a 'black hole' in our economy through which the diamond complex's resources are beginning simply to drain out of the country."

Mr Shtyrov argues that Russia cannot remain in an indefinite state of "neither peace nor war" with De Beers and is hopeful that President Boris Yeltsin, who is reviewing the agreement, will soon approve it.

One factor in the complex negotiating equation could soon be clarified when the vast republic of Sakha, with 1m inhabitants in an area five times the size of France, goes to the polls on Sunday to elect a new president.

Industry observers believe the struggle for control of Russia's diamonds exports disguises a political fight between Moscow and the republic of Sakha, which has been charting an increasingly independent course since 1991.

The current president, Mr Mikhail Nikolayev, a quietly spoken 59-year-old former Communist party leader, is seeking a fresh mandate to pursue his cautious reform policies and to strengthen his negotiating hand with the Kremlin.

Despite a seemingly lacklustre campaign, Mr Nikolayev is favourite to win. He has 25 per cent support in recent opinion polls against 10 per cent for his nearest challenger.

As he tours Mirny's industrial plants, dressed in a fine fur hat and boots, Mr Nikolayev listens to demoralised workers complain that they have not been paid for months while prices have continued to rise.

His defence that conditions are far worse in other regions of Russia may have some validity but hardly inspires much enthusiasm among an electorate which backed him with 76 per cent of the vote five years ago.

"We used to believe in a clear future and there was happiness in our work," says one expert in ARS's diamond sorting plant and an early pioneer who helped build Mirny in the 1960s while living in a tent.

"But now things are all confused and people are no longer prepared to wait."

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EU to ban antibiotic from animal feeds

By Caroline Southey in Brussels and Maggie Urry in London

The European Union is set to ban the use of a widely used antibiotic called avoparcin in animal feeds on the grounds that it poses a risk to human health.

The drug has been used by farmers in most EU countries for 30 years. Its popularity stems from the fact that it makes the digestive process in animals more efficient, which in turn stimulates growth.

Mr Franz Fischler, European commissioner for agriculture, pressed for the ban after fresh evidence from Denmark and Germany that the drug leads to resistance to certain antibiotics in animals and that its presence in the food chain could in turn limit the effectiveness of antibiotics used to treat infections in humans.

Mr Fischler's proposal yesterday won the backing of the EU's animal food committee, which voted 14 to 1 in favour of an EU-wide ban. Britain voted against, arguing there was no scientific reason to justify the ban.

The committee's vote received a mixed response. The decision was attacked by the European Federation of Animal Health, which represents companies making veterinary medicines.

"Banning safe products will reduce European farmers' ability to produce safe and high-quality food at an affordable price," it said.

However, it was welcomed by others such as the Soil Association, a UK group which advocates organic farming. "We must stop putting short-term commercial interests above the long-term health of the population," Mr Patrick Holden, the association's director said.

Mr Fischler pointed out there was "insufficient data to establish conclusively the risk of transfer of resistance". But, he added, there is "no evidence to exclude that risk with certainty, in the absence of further scientific information".

Mr Fischler's cautious attitude reflects increased sensitivity in the EU over accusations that farmers' interests have taken precedence over consumer interests.

An EU official admitted there was "no conclusive evidence" that the drug was harmful. But, the commissioner "thought it was necessary to act to ensure the safety of consumers".

Germany and Denmark have already banned the use of the antibiotic. It is also banned in Sweden, where there is a general prohibition on the use of all antibiotics in animal feeds.

● Food products made from genetically manipulated soyabeans must be specially labelled from next April if they are to be sold in the Dutch market, writes Gordon Cramb in Amsterdam. The restriction imposed by the health ministry makes the Netherlands the first EU Union country to require such identification. Consumer and industry groups had agreed the move, the ministry added.

Forges de Clabecq, the Belgian steelmaker, will today file for bankruptcy after the regional government decided to withdraw support following the European Commission's move to block a BFr1.5bn ($47m) rescue package for the company, writes Neil Buckley in Brussels.

The regional government of Wallonia, Belgium's French-speaking southern half, said it could no longer support Clabecq, of which it owns 40 per cent, after the Commission ruled on Wednesday that the aid package contravened European Union state aid rules.

The bankruptcy move, which will result in the appointment of an expert, liquidator or trustee to decide the fate of the company, puts 1,700 jobs at risk. Analysts believe the company can survive only in a radically slimmed-down form.

Mr Karel Van Miert, EU competition commissioner, who blocked the aid, said the Commission was prepared to support Wallonia through regional help designed to attract new investors in modern industrial sectors.

Swiss historian to lead inquiry into Nazi gold

By William Hall in Zurich

Mr Jean-Francois Bergier, 65, a leading Swiss historian, has been chosen to head an international commission of experts to investigate Switzerland's role as a financial centre during the second world war and its relations with Nazi Germany.

Mr Bergier is one of eight historians on a nine-strong panel set up by the Swiss government to examine the country's wartime record, following mounting allegations it is still hiding billions of dollars of looted Nazi gold.

The appointment of the panel coincided with a report, completed in little more than a month, by two Swiss historians on whether the Swiss government used funds from dormant Swiss bank accounts to compensate Swiss nationals.

The report rejects charges that Swiss citizens were directly paid with money from Holocaust victims to settle claims for communist-seized property in Eastern Europe after the second world war.

Switzerland had assigned funds from dormant accounts to communist-ruled Poland and Hungary under post-war compensation accords for confiscated Swiss property, in line with principles of international private law. The money helped both countries meet compensation payments, but this was not tantamount to paying off Swiss citizens, the report said.

Reaction in Switzerland yesterday was relief that the commission had been appointed.

The Swiss originally intended the commission to consist primarily of Swiss historians. But Jewish organisation and others lobbied for foreign experts to be included; the commission has five Swiss members and four foreigners.

The presence of Mr Jacques Picard, author of a history of Switzerland and the Jews, and Mr Jakob Tanner, a leftwing historian, should deflect criticism that Switzerland has packed the panel with establishment figures. Mr Joseph Voyame, a former official in the Swiss justice ministry, is the only lawyer on the panel.

Foreign members of the panel are Mr Harold James of Princeton, Mr Wladyslaw Bartoszewski, a Jewish historian from Warsaw, Mr Saul Friedlaender, an Israeli historian, and Ms Sybil Milton, who works at Washington's Holocaust museum.

Mr Gian Trepp, who has written on the wartime role of Switzerland's banks, criticised the number of historians on the commission, saying the investigation needed people who "understood how the banks worked".

EUROPEAN NEWS DIGEST

Seles loses in damages claim

Monica Seles, the American tennis player, failed yesterday in a bid to win damages from the German Tennis Federation (DTB) for a knife attack by a spectator which kept her out of the sport for more than two years.

A Hamburg court rejected her claim that the DTB was negligent in security arrangements at the Hamburg Open in April 1993, allowing Mr Günter Parche to jump from the stands and knife her in the back.

Lawyers for Ms Seles, who was not in court, had claimed DM24.4m ($15.75m) for damages and lost earnings from her 27-month lay-off after the attack.

The court did not publish the full text of its judgment but said in a statement the DTB could not have been expected to provide protection against such an attack as nothing similar had happened before. *Reuter, Hamburg*

Thomson-CSF decision delay

The French government will decide on the terms of a privatisation of the Thomson-CSF defence company in early January, a source at the prime minister's office said yesterday.

The government wants to sell its 58 per cent stake in Thomson-CSF in the early part of 1997, separately from Thomson Multimedia, the loss-making consumer electronics company, to speed the privatisation of the entire Thomson electronics group. The source said the delay of the decision, which had been scheduled before Christmas, was due to the approaching holidays and the departure of staff. On December 4 the government suspended the privatisation of Thomson because an independent privatisation commission did not approve of the sale of Thomson Multimedia to Daewoo Electronics of South Korea. *Reuter, Paris*

French tobacco company sued

Seita, the French tobacco company, is being sued by a smoker with cancer in the first legal case of its type in France.

The smoker blames his cancer on consumption of Seita's famous Gauloises Brunes cigarettes and Seita said he is seeking damages for what he alleged was a lack of information about the risks of smoking.

Seita said there was no legal substance to the plaintiff's allegations and that it was confident about the outcome of the court case. It said that the only similar legal proceedings undertaken in France were brought against a bank by the family of an employee who claimed that she had been the victim of passive smoking. A Paris district court threw out the case on November 20, 1996 saying there was no basis for the action. *Reuter, Paris*

Russian nuclear physicist dies

Mr Yuli Khariton (*pictured left*), the nuclear physicist widely regarded as the father of the Soviet atom bomb, died yesterday aged 92. Khariton, one of Russia's most honoured and decorated scientists, often said the greatest moment of his life came on August 29, 1949 when the first Soviet atom bomb was tested near Semipalatinsk in Kazakhstan. Four years later, in October 1953, the Soviet Union tested its first hydrogen bomb. Mr Khariton admitted his research centre at Sarov, then known as Arzamas-16, had made extensive use of intelligence on the US nuclear project provided by western atom spies such as Mr Klaus Fuchs. But he always insisted Moscow's bomb was mostly the result of the work of Russian scientists. *Reuter, Moscow*

Portugal fires rail board

The Portuguese government has fired the management board of state-owned railways Caminhos de Ferro Portugueses.

The decision, which followed disagreements between the government and management linked to the restructuring of CP, had been made earlier but was officially passed at yesterday's cabinet meeting.

The government named Mr Manuel Antunes Frasquilho as the new CP president. The railway lost Es59.8bn ($380.6m) in 1995, partly as a result of increased investment costs, compared with a loss of Es48.4bn the previous year. *Reuter, Lisbon*

Turks pass balanced budget

Turkey's parliament has approved the country's first ever balanced budget. Ministers in the Islamist-led coalition say the budget will help stave off an impending economic crisis by reducing inflation of 80 per cent and lowering interest rates, among the highest in the world.

The government plans to spend $45.93bn next year. Transfers, mainly to the deficit-ridden social security system and servicing the government's $100bn in domestic and foreign debts will take up nearly 60 per cent of spending, leaving one-quarter for civil service wages.

Few economists expect the government to succeed in balancing its budget and forecast a deficit equal or possibly slightly lower than this year's spending gap of 12-13 per cent of gross national product.

The government expects $8.5bn through sale of state assets and privatisations. This year's budget deficit is three times larger than estimated in the heavily revised original budget. *John Barham, Ankara*

ECONOMIC WATCH

Czech GDP expands by 3.6%

The Czech Republic's gross domestic product expanded by 3.6 per cent in the third quarter of this year, bringing the growth rate for the year to date to 4 per cent compared with 4.8 per cent in the first three quarters of 1995, the Czech Statistics Office (CSU) said yesterday.

The third-quarter slowdown was in line with forecasts by economists and confirmed the CSU's move last month to cut its forecast of full-year growth to 4.8 per cent from 5.3 per cent, because of a slowdown in west European economies, especially Germany. GDP growth this year is now expected to be in line with last year's expansion of 4.8 per cent.

The slowdown was also highlighted yesterday by the Organisation for Economic Co-operation and Development, which forecast that GDP growth next year would slow again, to 4.6 per cent. But growth would accelerate in 1998 after an expected peak next year in the country's current account deficit.

The deficit is expected to reach 7 per cent of GDP this year and next because of high imports of technology for investment. *Vincent Boland, Prague*

■ The Danish consumer price index rose 0.2 per cent in November from October. Year-on-year, the November index was up 2.4 per cent.

■ Sweden had a current account surplus of SKr6.9bn ($1bn) in October following a revised surplus of Skr3.3bn in September.

■ Norwegian unemployment rose to 3.6 per cent in December from 3.5 per cent in November.

NEWS: EUROPE

Opposition protesters carrying an effigy of Prime Minister Zhan Videnov rally outside parliament in Sofia yesterday to back demands for early elections Reuter

Solvay boosts Bulgaria's sell-off plan

By Theodor Troev in Sofia and Anthony Robinson in London

Solvay, the Belgian chemical company, yesterday finalised the purchase of a 60 per cent stake in Sodi Devnaya, Bulgaria's most profitable chemical company, for $160m in cash and a pledge to invest $67m over the next five years.

The successful conclusion of the first big sell-off in Bulgaria's emergency privatisation programme came as the Union of Democratic Forces (UDF), the main parliamentary opposition, called for the resignation of Mr Zhan Videnov, the Socialist prime minister, on the eve of a crucial Socialist party conference.

Opposition calls for early parliamentary elections at a mass rally outside parliament could have the effect of strengthening the position of Mr Videnov, who will be fighting for his political life this weekend against a challenge from Mr George Pirinksi, the former foreign minister, who heads the social democratic wing of the divided ruling party.

A defeat for Mr Videnov, especially if it forced the unpopular Socialist government to dissolve parliament, would create a vacuum of power when the International Monetary Fund is calling for a decision within 45 days to institute a currency board as a condition of a delayed IMF structural adjustment loan. Early general elections only two years into the Socialist party's four-year mandate could disrupt this timetable.

Under the currency board system, successfully applied by Estonia and other Baltic states, domestic currency in circulation and the minimum reserves of the banking system have to be matched by foreign exchange reserves in the central bank.

This would restrict the powers of Bulgaria's weak central bank and the financial autonomy of the government and is seen as the last chance for averting hyperinflation. Over the last six months Bulgaria has suffered a run on the banks and a collapse in the currency from 70 lev to the US dollar in January to a low of 550 lev before recovering to current levels of around 450 lev.

The central bank raised its annual interest rate to 300 per cent two months ago before falling to the current 180 per cent. At least 14 banks are facing closure and the government has started a crash privatisation programme to replenish currency reserves.

Mr Ivan Kostov, a former finance minister and leader of the UDF, yesterday submitted to parliament the opposition's terms for the introduction of a currency board – replacement of the central bank's current board of governors and the election of a group of experts to continue talks with the IMF and the World Bank prior to the dismissal of parliament and early general elections.

Mr Kostov said a currency board would fail if instituted under the present government.

Political analysts say Mr Videnov's rush to set up the currency board is aimed at weakening the opposition's capacity to make political capital out of the issue. The Socialist government's sole chance of eventual re-election is now perceived to hinge on its ability to restore financial stability through implementing a tough IMF-monitored currency board regime.

From bank chief to political pragmatist

Carlo Ciampi, former Bank of Italy chief, has developed a taste for the cut and thrust of politics

For 14 years until 1993, Mr Carlo Azeglio Ciampi, Italy's 76-year-old treasury minister, was at the helm of the Bank of Italy, before being called from near-retirement to be prime minister for a year.

Since May he has been the economic supremo in the centre-left government of Mr Romano Prodi and was instrumental in the highly political decision of September to adopt a tougher 1997 budget to bring Italy's budget deficit within the Maastricht convergence criteria on schedule.

Mr Ciampi regards himself as a non-political appointee with a technocratic background.

However he has developed a taste for the cut and thrust of politics and recognises that policy decisions on European economic and monetary union (Emu) are ultimately guided by political considerations.

In a sense he is a gamekeeper turned poacher. "As an ex-governor, I am firmly in favour of the independence of the Bank of Italy," he says. "The central bank has the role of setting interest rates; but I have always believed it is up to governments to regulate exchange rates."

Mr Ciampi championed this view on November 24 when he successfully negotiated the lira's re-entry into the European exchange rate mechanism (ERM) and found himself in conflict with central bankers led by the Bundesbank.

The Italian treasury had called a weekend meeting of the monetary committee after consultation with other EU treasuries on the understanding that a lira/D-Mark parity of around L1,000 would be acceptable.

Treasury officials knew the central bank governors, including the Bank of Italy, were adamant on a stronger lira at around L950.

But they were still dismayed to see the German treasury drop its earlier acceptance of a weaker rate and fall behind the Bundesbank's orthodoxy.

When negotiations stalled in the technical monetary committee, European Union finance ministers had to be called to forge a political deal.

Mr Ciampi is too discreet to admit a confrontation with Mr Hans Tietmeyer, the Bundesbank chairman. But those at the meeting insist the former central banker made clear in robust terms the difference between the role of a central bank and a government.

As a minister, he knew that Italy's powerful export-orientated industry would not have tolerated any rate much stronger than L990.

Such tensions are not simply a question of the Bundesbank digging in its heels to ensure currency stability but embrace the central bank governors as a whole, according to Italian officials.

They say matters will become more complex as the Frankfurt-based European Central Bank (ECB) begins to exercise its influence in the run-up to launching the single currency.

"The European Central Bank is the first institution of a unified Europe," observes Mr Ciampi, who has never wavered in his commitment to the idea of Emu and its benefits to Italy.

"I helped draw up the statutes for the bank in 1990-91 when at the Bank of Italy and I am aware of the political implications of setting up this institution."

Precisely because of the supranational impact of the bank on economic and monetary policy, Mr Ciampi says: "States must establish a proper interlocutor with the ECB so as to have responsibility for economic policy."

Carlo Ciampi: tends to regard himself as a non-political appointee with a technocratic background Terry Kirk

At present he accepts that this should be done at the broader political level through the European council of ministers.

The Italian government has yet to take a formal position on French proposals for a "stability council" to act as interpreter-watchdog for the stability pact, imposing fiscal rectitude on those joining the single currency.

The Italians appear reluctant to move until it is clear whether the council will cover merely the "ins" admitted to the single currency – or euro – zone, or whether it will cover all those wishing to join the single currency but lacking the fiscal rectitude to qualify.

This wait-and-see approach reflects Italy's own uncertainty whether, despite all the brave talk, it can be among the first group of countries signing up for the euro. Mr Ciampi himself continues to exude optimism and will press for extra budgetary measures "as soon as possible" in the new year if the budget deficit looks like missing or overshooting the target of 3 per cent of gross domestic product.

The International Monetary Fund annual mission this week indicated that the government would have to find a minimum extra L15,000bn ($9.8bn) through spending cuts or through new fiscal measures.

Confindustria, the Italian employers' confederation, has said the corrective package will have to be double this.

Robert Graham

Greek farmers fail to win tax and debt relief

By Kerin Hope in Athens

Militant Greek farmers yesterday demonstrated outside parliament during a debate on the 1997 budget, but their leaders failed to win any concessions on taxes and debt from the Socialist government.

Mr Stefanos Tsoumakos, agriculture minister, said the government was prepared to redistribute up to Dr12bn ($49m) in European Union subsidies to farmers whose crops were damaged by autumn rainstorms but could not afford to meet other demands.

Farmers from the cotton-growing region of Thessaly led a convoy of buses and trucks to Athens to press demands for tax-free fuel, exemptions from value added tax on farm machinery and a write-off of $1.3bn debts with the state-controlled Agricultural Bank.

A three-week tractor blockade of highways around Greece has hit manufacturing output and exports, which are carried almost exclusively by truck.

The Federation of Greek Industries claims that shortages of fuel and raw materials caused by the protests will reduce manufacturing output this year by almost one percentage point. The stand-off has become a test of the Socialists' resolve to bring the economy on track with the rest of the EU.

The government refuses to discuss farm policy reforms until the farmers open the roads. Tractor barricades across northern Greece have been lifted, but farmers blocking Thessaly's main north-south highway have threatened to keep the protest going over Christmas.

Mr Costas Simitis, the prime minister, says Greece cannot afford to appease special interest groups if it is to achieve its goal of joining the proposed European single currency by 2001.

Giving in to the farmers would provoke a flood of demands from other groups of workers and derail efforts to reduce the budget deficit in the next two years from almost 8 per cent of gross domestic product this year to the 3 per cent Maastricht target, he argues.

Strikes by seamen, teachers and even diplomats seem to be faltering in face of the firm budget stand.

NEWS: ASIA-PACIFIC

Japanese seek help in the IT age

By William Dawkins in Tokyo

A renewed passion for electronic gadgets has swept Japan over the past year, but consumers still feel disoriented and are buying products to help find their way around the digital age.

Consumers have had to make "heroic" efforts to integrate these and other complex items into their daily lives, according to the annual survey of popular products by Dentsu, Japan's top advertising agency, which gives a revealing peek at the changing tastes of one of the world's most fickle consumer markets.

The disorientation might explain, Dentsu says, why a growing number of Japanese in the past year have turned, for security, to what it calls "take me to your leader" goods, to help navigate through the information fog that has typified 1996.

The report says the information technology (IT) industry made the biggest single contribution to Japanese industrial performance this year. The top IT items, chosen by Dentsu on criteria of sales performance and innovation, were a series of advanced electronic notebooks, launched by Sharp, NEC and Toshiba with features including colour screens, Windows 95 software, full Internet access, and on one model, a digital camera.

Typical of the "take me to your leader" products is "Some Books I've Read" by the critic Takashi Tachibana, which helps readers select what to buy. Published last December, it had sold 380,00 copies by last month.

Car navigation systems and personal satellite navigators have come to the help of another 800,000 disoriented Japanese consumers over the past year. Yet another "hit" for the confused are mobile telephones, which have grown from a few hundred thousand to more than 20m in the past three years, Dentsu says.

Buying the digital gear needed to keep pace with fashion is expensive. This might explain a sharp rise in automated money lending machines, forecast by Dentsu to double in number to 2,600 in the year to March.

Originally intended to supplement money lenders' manned offices, the digital machines have proved surprisingly popular with people who find it embarrassing to apply for a loan in person.

Rao resigns as Congress parliamentary leader

By Mark Nicholson in New Delhi

Mr P.V. Narasimha Rao, India's legally entangled former prime minister, yesterday bowed to an ultimatum from senior colleagues and resigned as the Congress party's parliamentary leader.

The move in effect ends the political career of the 75-year-old Mr Rao, whom historians may best remember as initiator in 1991 of wide-ranging economic reforms which began the task of unwinding more than 40 years of inward-looking and statist Indian economic policies.

Mr Rao submitted his resignation almost to the minute of a 4pm deadline set late on Wednesday by Mr Sitaram Kesri, who had succeeded Mr Rao as Congress president.

The ultimatum followed an earlier appeal from 21 of his most senior party colleagues for Mr Rao to quit. They argued in a joint letter that his departure was necessary to safeguard the "credibility" of Congress, which has ruled India for all but four years since independence in 1947 until a demoralising defeat in elections this May.

Since leading Congress to its poorest ever electoral showing, Mr Rao has been charged in three separate corruption cases, each of which carries a maximum sentence of seven years' imprisonment. The charges led Mr Rao to resign as party president in September, though he has denied any wrongdoing.

However, the corruption charges, along with a spate of other cases recently brought against former MPs and ministers from Mr Rao's administration, have nevertheless sullied Congress with an image of corruption. Mr Kesri has made it his stated priority to clean up this image.

Congress leaders have scheduled a meeting today to begin the process of selecting Mr Rao's successor. Though there are no clear favourites for the post, the Indian media have touted Mr Kesri, Mr Shawad Pawar, the politically powerful former chief minister of Maharashtra, and Mr Manmohan Singh, the former finance minister, widely credited as being the chief architect of India's five-year-old economic reforms.

Mr Singh appeared to some analysts as the likeliest compromise candidate, particularly given his reputation – rare within the Congress elite – for unimpugned rectitude. "No one would want to oppose him. He has very few enemies and would therefore be the best compromise candidate," said Mr Pran Chopra, a political columnist and member of the Centre for Policy Research in Delhi.

Though the technocratic Mr Singh has often portrayed himself as a reluctant politician, he has also always said he would be prepared to play any role asked of him by Congress. The Press Trust of India yesterday suggestively quoted Mr Singh as saying in a forthcoming magazine interview that he would "not be unwilling" to become India's prime minister.

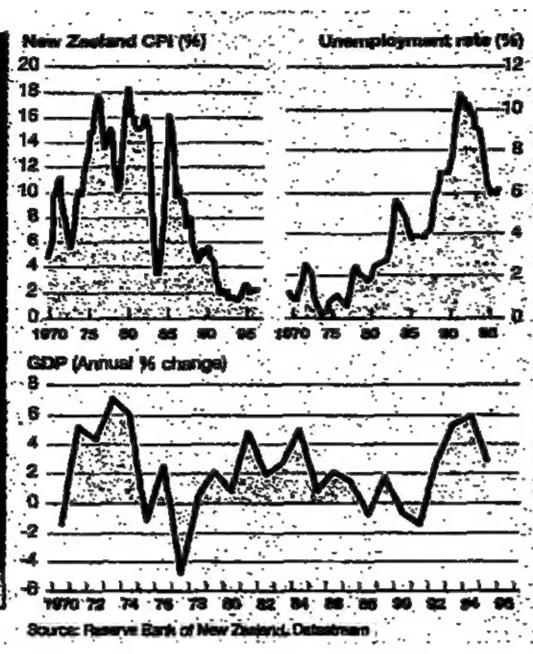
The prospect could arise should Congress succeed in returning to the party fold several former Congress party members who defected from the mother party before the May polls, and who now form part of the minority United Front (UF) coalition government.

Mr Kesri has already succeeded in stealing from the UF the support of a small group of former Congress MPs, and has always considered the removal of Mr Rao as a necessary step in persuading other defectors to reunite with Congress – most particularly a bloc of 20 MPs from Tamil Nadu, including Mr P. Chidambaram, the UF finance minister, who was a reformist ally of Mr Singh as commerce minister in the previous Congress administration.

Hopes that Congress might somehow succeed in supplanting the UF on Wednesday buoyed stocks in Bombay, pulling the Sensex index up 17 points to 3,001. Brokers suggested the market tone would further strengthen should the respected Mr Singh appear set to replace Mr Rao.

NZ deal gives rise to faith and doubt

Winston Peters deputy prime minister



Source: Reserve Bank of New Zealand, Datastream

Jim Bolger prime minister

When the eight weeks of coalition talks that followed New Zealand's general election ended in agreement last week, the first impression was that the country's 10-year economic reform process might be a casualty.

But closer reading of the 70-page coalition agreement between the conservative National party and New Zealand First – the nationalist party led by Mr Winston Peters, a former National cabinet minister – reveals a compromise. Hardline anti-inflationary policies have been eased, but only modestly, and NZF's more nationalistic tendencies on matters such as foreign investment have been contained.

Mr Don Brash, governor of the Reserve Bank, reacted with a mixture of faith and doubt: "I don't think the experiment [with economic reform] was ever likely to be at an end," he said. "It was a question of the extent to which it was modified."

Mr Steve Marshall of the Employers' Federation was similarly guarded. "The outcome is about the best anyone could have expected," he said. "Within the agreement there are a large number of policy areas which are flagged for review, think-tanks, discussion groups. We've got to be careful we don't talk ourselves into a standstill."

The economic implications of the coalition deal can be divided into three:

■ Changes to monetary policy, formalised in a new target agreement between the central bank governor and the National-NZF coalition.

■ Alterations to fiscal, savings and labour market policy, hammered out during the coalition negotiations.

■ The political dimensions of the agreement, implicit in the shuffling of ministerial portfolios.

The main change in monetary policy is an expansion of the target band for inflation, within which the Reserve Bank governor must operate or risk losing his job. This moves from 0-2 per cent to 0-3 per cent, with the mid-point rising to 1.5 per cent.

The Reserve Bank admits this represents "some easing". But its latest quarterly statement also makes clear a limited relaxation over the past few months has been justified by New Zealand's improving inflation outlook. Mr Brash remains more critical of the markets' downward pressure on interest rates during the past week.

Private sector economists, looking at the squeeze which the tight band, high real interest rates and a strong local dollar have put on businesses, tend to concur. "The economy will cope better with a slightly higher target range; it gives the Reserve Bank a little more leeway," says Mr Olf Schoefische of Deutsche Morgan Grenfell.

Moreover, Mr Brash stresses if a wider target band pushes up inflationary expectations, countervailing action could still be necessary: "To the extent that increased inflationary expectations lead to higher prices, higher wage settlements and so on, the new inflation target gives much less scope for an easing... than might perhaps be assumed."

On the fiscal front, the changes are arguably more significant. The new government plans to spend an extra NZ$5bn (US$3.5bn) by the end of the century, mainly on health and education. But the extra outlay in the coming 1997-98 fiscal year will be offset by the deferral of NZ$1bn of promised tax cuts.

The budget will also remain in surplus over the medium term. The extra spending amounts to much less than the NZ$8.6bn which was on the cards had NZF opted for a coalition with the Labour party.

But the Reserve Bank describes the budgetary shift as mildly stimulatory, even in 1997-98. Not only does absolute spending go up slightly, it says. Consumers would probably have saved some of the tax cuts, reducing their impact on demand.

Stronger concerns have been voiced by the rightwing ACT party, which holds eight parliamentary seats and questions whether the adjustments are fiscally responsible.

Much more difficult to assess is the impact Mr Peters will have on policy through his control of the key economic portfolio through the newly created post of treasurer. Already, there has been a tussle over the roles of the treasurer and the finance minister, National's Mr Bill Birch, hitherto in sole charge of economic policy.

Details have yet to be spelt out, but Australia seems the model. There, the treasurer is in charge, with the finance minister the "numbers man".

Analysts point out Mr Peters' record is fairly conservative but in the more interventionist style of former prime minister Robert Muldoon. Most also expect him to start cautiously.

"He's very aware of the concerns financial markets have about his role, so for that reason he'll probably bite his lip for some time," says Mr Paul Stewart, chief economist at ANZ Bank.

So far, this is precisely what he has done. Mr Brash's hawkish noises on inflation this week drove the New Zealand dollar higher, a development Mr Peters, in opposition, would probably have criticised on behalf of exporters. Instead, the new treasurer put out a bland, supportive press release and declined interviews.

The test, many observers suspect, will come in two years, when the coalition partners need to distinguish themselves ahead of the next election. NZF may wish to be seen as the more socially conscious partner, and win plaudits for containing National's free-market tendencies. "The telling time," says Mr Marshall, "will be in the (government's) last nine months."

Nikki Tait

ASIA-PACIFIC NEWS DIGEST

Hanoi criticises foreign banks

Vietnam's central bank yesterday published a detailed critique of the 22 foreign banks with branches in the country, saying a lot of banks "faced difficulties" and were reluctant to lend domestically. In a routine year-end report on the banking sector, the bank cited a number of "common problems", including a failure to observe rules on foreign currency lending, inadequate monitoring of "overdue loans" and poor training of Vietnamese staff.

Bankers discounted the criticism, saying it reflected comments made in a similar report in September. But they expressed concern that it would not help encourage foreign bank lending in a market where competition is fierce, margins thin and mortgage laws unclear.

The report acknowledged that the share of foreign bank lending in the banking system had grown and that bank-to-bank lending from foreign to Vietnamese banks had increased. But a number of banks had been "unable to find ways to invest capital safely", the report said.

■ A Vietnamese central banker is under investigation for possible involvement in a corruption scandal, an official newspaper reported yesterday. Tuoi Tre (Youth) said that Mr Chu Van Nguyen, deputy governor, was being investigated for "causing serious losses to state property" – official shorthand for corruption. *Jeremy Grant, Hanoi*

Jakarta charges 'poverty' levy

Foreign companies and individuals earning net income of more than Rp100m ($42,500) a year in Indonesia must transfer 2 per cent of their annual net income to a foundation headed by President Suharto and aimed at alleviating poverty in Indonesia.

It remains unclear, however, whether the 2 per cent transfers should be treated as an effective increase in the tax rate, a donation or an appropriation of funds. President Suharto said earlier this year when he set up the foundation that management of its funds would be transparent and accountable to the public. Other members on the foundation's board include Mr Suharto's second son, Mr Bambang Trihatmodjo, and Mr Anthony Salim, part of the Salim family, which ranks as one of Indonesia's wealthiest family and is closely associated with Mr Suharto. *Manuela Saragosa, Jakarta*

OECD lauds Australia

Australia's economic performance over the past five years was described yesterday as "impressive in many respects" by the Organisation for Economic Co-operation and Development, although the Paris-based institution acknowledged: "Continuing high levels of unemployment and low domestic saving remain areas of concern."

In its most complimentary annual country report for some years, the OECD noted Australia had notched up six years of "recovery", with real output now standing some 17 per cent above its previous cyclical peak. It described this as "a growth performance among the best in the OECD area". *Nikki Tait, Sydney*

LEGAL NOTICES

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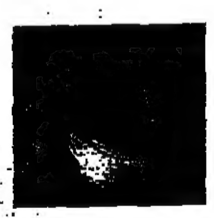
We'll see you on the New York Stock Exchange.



The new name on the Big Board is Deutsche Telekom. With annual sales of $ 44 billion, we're not only Europe's No. 1 telecommunications company, we're No. 3 in the world. And we resolve to use our strength and expertise in this booming industry to become one of its most influential, service-minded players.

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- **We're the world's market leader in ISDN.** Every day, on more than 4 million ISDN channels, our customers explore the possibilities of fully digital communications.
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- **We have the largest cable television network in the world.** Over 16 million households tune in to a variety of international TV programs on our network.
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Deutsche Telekom has always used its size and technical expertise to open up new markets. In digital mobile communications, for example, we were instrumental in developing GSM, the first internationally recognized digital standard. In multimedia, our innovations have created completely new areas of application, from telematics to telemedicine.
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Setting new standards in the industry of the future
In short, Deutsche Telekom is a powerful voice in the world of telecommunications. Not only are we among its strongest players, but we continue to gain strength in the expanding Asian and Eastern European markets.

Welcome news for the bulls and the bears on Wall Street.

Deutsche Telekom

NEWS: INTERNATIONAL

OECD hails deficit cuts and calls for more

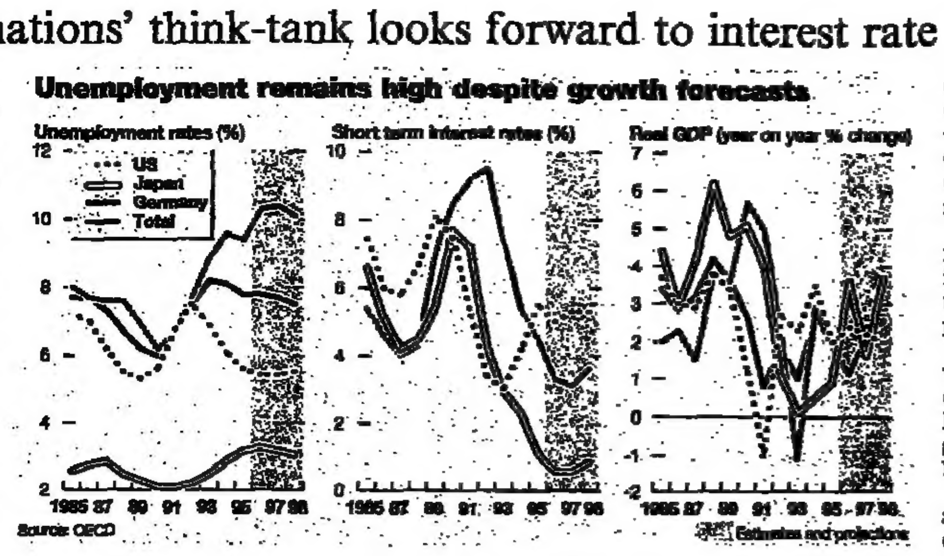
Industrialised nations' think-tank looks forward to interest rate cuts to spur growth, writes **Graham Bowley**

The world's industrialised nations should make credible long-term plans for further cuts in public borrowing so that lower interest rates could be used to bolster economic recovery, the Organisation for Economic Co-operation and Development said yesterday.

The big message in the latest half-yearly outlook from the OECD, think-tank for the world's industrialised nations, was that further reductions in public borrowing and debt were necessary, but that cuts already made were taking a heavy toll on economic growth.

The Paris-based organisation predicted that many European countries, including Germany, France, Italy and Spain, would come close to meeting the public borrowing criteria for monetary union next year – but only if all cost-cutting measures planned by governments were implemented.

Unemployment remains high despite growth forecasts



But it said the rush to cut borrowing to qualify for the European single currency was already depressing activity.

As a result, countries should commit themselves to plans which genuinely reduced public borrowing. This would then allow them to cut interest rates in order to protect their fledgling recoveries without risking higher inflation.

"Judicious use of monetary policy, together with credible, sustained fiscal consolidation... would contribute to faster growth of output and employment without compromising the objectives of inflation control," the report said.

The report forecast modestly stronger growth across the OECD, with relatively healthy expansions continuing in the US and UK. Continental Europe and Japan would catch up after sluggish growth.

It forecast that Germany would record a fiscal deficit of 3.4 per cent of gross domestic product next year – above the 3 per cent level, one of the Maastricht treaty criteria for economic convergence.

But it said Germany would meet the 3 per cent criterion if the government's cost cutting plans were put into practice.

It predicted that France would record a budget deficit of 3.2 per cent of GDP but hinted this could be lower if growth was supported by lower interest rates.

Italy was forecast to have a budget deficit of 3.7 per cent of GDP. But the 3 per cent limit was "within reach".

The OECD said cutting public borrowing and debt was the main economic challenge facing virtually all of its member countries: "Cutting fiscal deficits further to stop and reverse the build-up of public debt that has occurred in the past two decades would reduce long-term real interest rates and stimulate productive investment, growth and employment opportunities."

However, "reliance on one-off measures, such as capital transfers from publicly owned enterprises, or on measures that may have to be reversed, including some public sector wage freezes and deferrals of public investments can only delay the need for more fundamental fiscal adjustments", the report said.

Countries which had made progress in reducing borrowing and debt levels as well as cutting inflation had been rewarded with lower short-term and long-term interest rates which had been supportive of growth, it said.

This was especially true in the case of some European Union countries where money market rates were now at historically low levels and long-term interest rate premiums relative to Germany had been reduced sharply.

But the OECD said many countries still needed to make further progress in reforming their labour markets to make them more flexible.

This is a common theme from the OECD, which has warned in the past that the rigid nature of Europe's labour markets could be a big obstacle to the functioning of a single currency in the future.

"There could be significant long-term gains to regulatory reform in both Japan and continental Europe where regulation is more pervasive and reforms have not yet been as comprehensive as those in the US and the UK," it said.

The OECD also expects a revival of growth in Russia, with GDP expected to grow by 2 per cent next year and 5 per cent in 1998 as investment picks up and inflation stabilises.

IMF suspends Uzbek loan

The International Monetary Fund suspended a loan to Uzbekistan yesterday amid growing criticism of foreign exchange controls in the resource-rich but secretive former Soviet republic, Reuter reports from Tashkent.

The IMF said it had suspended disbursements of a $185m standby loan to Uzbekistan because it had failed to meet the fund's inflation targets.

"Disbursements under the IMF standby arrangement have been postponed because of these developments," Mr Mark O'Brien, the IMF's resident representative in Uzbekistan, told a news conference in the Uzbek capital, Tashkent.

"Very tight financial policy... from the central bank must be combined with a full liberalisation of access to foreign exchange," he told reporters.

Journalists were prevented by Uzbek security officials from entering the IMF office inside the Uzbek central bank.

Mr O'Brien, who held the news conference in the nearby offices of the United Nations, said an IMF mission planned to visit Tashkent to re-assess the situation late in January.

He said Uzbekistan's target for 1996 annual inflation was set at around 25 per cent but the actual rate was likely to exceed 40 per cent. He gave no exact figures.

"Uzbekistan's external trade account in 1996 was hit by lower international prices for cotton exports and a poorer than expected grain harvest," Mr O'Brien said. He said the Uzbek government had reacted by increasing farm credits and limiting access to foreign exchange.

The resulting spread between Uzbekistan's official and black market rates has widened in recent weeks, with the official rate of 55 sums to the dollar way below the black market rate of 105-110 sums to the dollar yesterday.

A little liquidity transforms Kazakhstan's metals industry

Sander Thoenes on debt-burdened plants once hobbled by barter

The break-up of the Soviet Union left most of the state-owned factories and mines along Kazakhstan's northern border with Russia in a downward spiral of debt and falling output. But the future is looking brighter thanks to new market-oriented management and, above all, abolition of a wasteful post-Soviet barter system.

Barter left factories deprived of working capital and unable either to invest or even pay their workers. "We didn't know what real prices were and all our contracts were improvised," recalls Mr Bulat Svyatov, commercial director of the Pavlodar Alumina Plant.

After Mr Viktor Pirogov took over as general director of the Aksu ferro-alloy smelter near Pavlodar, for example, he found 1994 barter contracts for the purchase of diesel at four times the going rate. "When the company has no owner it does not really matter whether you buy or sell high or low," he says.

The turning point came at the end of 1994, when offshore companies financed by the Trans-World Group, a London-based metal producer with significant investments in Russia, took on management contracts for some of Kazakhstan's largest metal plants, including Pavlodar and Aksu, with its associated ferro-alloy mines and smelters.

The companies pledged to invest and revive output in return for a share of revenue. Within months, they moved on to exercise options letting them buy majority stakes in all plants and mines for $143m. Kazakh opposition leaders say officials sold assets cheap as they were silent partners in the offshore companies. Trans-World and its partners deny the claim but decline to name local shareholders.

Trans-World, a private company that became rich exporting metals from the disintegrating Soviet Union, lent more than $500m to provide working capital, buy essential supplies and pay off debts and overdue salaries. It pledged to invest in production lines and bought nearby power plants and a large coal mine to guarantee power supplies.

Such investment by Trans-World and other big foreign-domiciled companies such as Ispat, the London-based, Indian steel group which bought up the Karaganda steel complex and associated coal mines, have brought cash payments back into an economy paralysed by a total lack of liquidity.

Capital-starved state-owned enterprises still owe more than $11bn to each other in blocked inter-enterprise debt arrears. But with cash in hand the Trans-World controlled companies' new managers were able to pay wages and bargain for prompt supplies at prices at least 30 per cent cheaper than even the most honest barter deals. Within two years, Pavlodar cut 62 per cent from production costs.

Trans-World, with plants on both sides of the former Soviet borders, pledged to buy the entire output of each of its enterprises. Its aluminum smelters throughout Russia need 3m tons of alumina a year, three times Pavlodar's output.

Pavlodar alumina plant: supplying Trans-World's Russian smelters *Picture by Sander Thoenes*

Disposing of alumina was the easy part. Trans-World also owns shares in two Russian steel mills, but its Kazakh pellet plant produces more than they can absorb. The pellets, and other ferro-alloy products, still lack a guaranteed outlet. The problem was intensified by the plunge in world prices shortly after the company took control of plants in Kazakhstan, the second largest producer after South Africa. Aluminium and steel prices have also stayed weak.

Initially Trans-World stockpiled 200,000 tons of ferro-alloys in Rotterdam alone, then cut production in 1996 and sold from stock. "We owned the highest mountains in the Netherlands," joked Mr Hans Rubin, Pavlodar president. "But 1997 will be better. We have proven we are a reliable supplier with tailor-made products," says Mr Rubin, who plans to buy a second $450m alumina plant and is seeking part-ownership of the Kazakh railroads, power network and gas pipelines.

Investing in Russia, Page 19

NEWS: WORLD TRADE

Boeing and Airbus see order levels soar

By Michael Skapinker, Aerospace Correspondent

The world's two largest aircraft manufacturers are set to end the year with their highest number of orders for six years.

Boeing of the US, which this week announced its intention to take over McDonnell Douglas, has won 645 orders so far this year – its highest tally since 1989, when it sold 683 aircraft. This year's orders are worth $47bn, Boeing said.

Airbus Industrie, the European consortium, has 309 orders so far this year, nearly three times last year's total of 106 and its highest number since 1990, when it took 404 orders.

The surge in orders reflects the rise in airline profits and the increase in airline seat occupancy. However, Mr Richard Albrecht, Boeing's executive vice president, said the speed of the increase in orders was more modest than during previous upturns.

Mr Albrecht said: "The difference in this upswing is that the airlines are being very responsible in ordering airplanes to accommodate increased traffic while sustaining profitability."

The resurgence in the aircraft industry was confirmed by Boeing's announcement yesterday that it would increase production of the 737 to 21 a month from 8.5 a month today. This will equal the record for Boeing 737 output last reached in 1992.

Boeing said it would increase 737 production to 10 a month in January before gradually moving up to 21 a month in the fourth quarter of next year.

The increase in orders, and plans for new aircraft, have resulted in a shortage of skilled engineers and designers at Boeing. The shortage will be partially alleviated by the takeover of McDonnell Douglas. Even before this week's takeover announcement, McDonnell Douglas said some of its staff would be moving to Boeing's headquarters in Seattle to work on the planned new 550-seat and long-range versions of the Boeing 747.

Fur flies in EU trapping row

By Caroline Southey in Brussels

Sir Leon Brittan, the European Union's trade chief, is to take over negotiations with the US in the dispute over fur trade after winning a furious row in the Commission with the environment commissioner, Mrs Ritt Bjerregaard.

The EU is threatening to ban the import of furs from countries which allow the use of leghold traps, which it says are inhumane.

Mrs Bjerregaard said she no longer wanted to remain in charge of the negotiations after the Commission rejected her position on the terms for future talks, backing Sir Leon instead.

Sir Leon persuaded the Commission that the EU should do everything possible to secure a deal to avoid a potential trade war with Washington. The US has threatened to take the EU to the World Trade Organisation if the import ban is imposed.

The two commissioners had a stand-up row at a meeting of the full Commission on Wednesday. They disagreed vehemently on whether the EU should cede more ground to the US to secure a deal and on whether to stick to a compromise deal struck recently with Canada and Russia.

After a heated debate, Mr Jacques Santer, president of the Commission, intervened. As a result commissioners backed Sir Leon's argument that the EU should consider giving the US a "let-out" clause which would allow it continue using the traps after four years if it could not find an alternative. It also agreed to endorse the compromise deal with Ottawa and Moscow.

However, Mrs Bjerregaard was given the assurance that any final deal would have to be approved by the full Commission. She also won on the issue of keeping US furs off a "positive" list which are allowed into the EU although furs from Canada and Russia will be placed on the list.

The Commission's decision sets it on a collision course with EU environment ministers who earlier this month rejected the compromise deal with Canada and Russia. They asked Mrs Bjerregaard to secure Commission backing to have all three countries excluded from the "positive" list.

The environment ministers argued that EU negotiators had offered too many concessions and that the compromise with Canada and Russia failed to fulfil the EU's objective of outlawing inhumane trapping standards. Under the deal a ban on some leghold traps would have been phased in over four years.

Britain, the Netherlands and Sweden will be particularly angered by the Commission's decision as they have led the campaign against leghold traps. "Watch this space and see what happens in January when the ministers meet again," a British official said.

Los Angeles airport plans face serious new challenge

By Christopher Parkes in Los Angeles

Controversial plans for a $12bn expansion of Los Angeles International Airport have hit a new hurdle.

They already face resistance from residential neighbours and defenders of local seaside rarities such as the El Segundo Blue butterfly – as well as growing competition from other airports.

But now the expansion plans must contend with another poser which could hamper progress and even force a re-think.

Last week, one day before LAX's extension proposals were unveiled, policy-makers in nearby Orange County elected to open a new international airport on the site of the soon-to-be-redundant El Toro Marine Corps base.

Just 45 miles south of Los Angeles, handily located for Disneyland, El Toro sprawls across 4,700 acres, compared with the 3,500 acres of the region's leading air link.

Although the proposal for its conversion says annual capacity should be limited to 25m passengers a year, compared with the 58m expected to pass through LA this year, the scheme presents a serious challenge.

By siphoning off excess traffic, El Toro could be seen as part of the solution for LAX's hard-pressed facilities. But collaboration on such a scale is not usual in the fragmented administrative structure of southern California.

More likely is a prolonged tussle in which – after legal and environmental battles have been settled – the airlines are likely to hold the balance of power.

Airlines, represented by the Air Transport Association (ATA), are already at loggerheads over high landing and handling charges and the allegedly illegal use of airport revenues to fill gaps in the LA city's budget.

Now, while city mayor Mr Richard Riordan is still drawing funds which should under federal law be used for airport purposes, they are being asked to contribute most of the cost of LAX's 20-year growth plan. Mr John Ek, regional ATA director, last week promised "heavy scrutiny" of plans. An end to Mr Riordan's revenue milking is likely to be one of the association's firmest demands.

There is consensus at least on the need for increased aircraft handling capacity in the region. Passenger numbers at LAX have risen 8 per cent this year and will soar to 98m by 2015, the target date for completion of the expansion. Cargo volumes are expected to more than double from 1.7m tonnes in 1994 to 4.2m tonnes.

The pressure on facilities – LAX handles as many passengers as Dallas-Fort Worth on 20 per cent of the Texas site's acreage – is already such that the city's Department of Airports has asked neighbouring authorities to help absorb some of the regional traffic.

But as in San Francisco, where a $2bn project is under way to improve its international operations, Orange County, home to the regional John Wayne Airport, is more interested in being a terminus than another local bus stop.

Even far away Denver in Colorado has launched an aggressive campaign to win Pacific Rim business on which LAX's forecasts are based. Phoenix, Arizona, is drawing an increasing number of European flights. Las Vegas is a popular and cheap first landfall for many tourist visitors to the west.

LA's established role as the region's dominant landing point, airlines' investments in facilities, its 15m-strong local market and developed trade-based business and ground transport infrastructure all militate in its favour.

Yet the struggle LAX has already had to come up with viable solutions to its dilemma suggest that without startling new technologies, it is in the longer term fated to surrender business to its rivals. The possibility of adding a runway extending into Santa Monica Bay was scrapped when it became plain environmental opposition would be too great.

That left the authorities pressing against the limits of a site hemmed in by sea and residential and business districts. Despite some ingenious shuffling, none of the four alternative expansion proposals will allow more than two further runways.

Even then LAX would still not be able to handle all the next 20 years' expected growth. Which opens the questions of how LAX expands in the longer-term future and whether now might be a good time to set aside local rivalries and start talking seriously with El Toro's promoters.

WORLD TRADE NEWS DIGEST

Airbus pact 'in new year'

The four Airbus partners will sign a memorandum of understanding in the new year on converting the consortium into a limited company but have still not resolved their differences about the form it should take. Aerospace executives said yesterday the partners had agreed earlier this year to sign the memorandum of understanding by the end of 1996. Instead, it would be signed early in 1997. Airbus is owned by Aérospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain.

But the executives said the French were still resisting German and British suggestions that the new company take control of the partners' factories. Aérospatiale argues that Airbus should be responsible for design and marketing, with the partners continuing to take responsibility for manufacturing. Mr Manfred Bischoff, chief executive of Dasa, said: "Industrial interests of individual countries, important though they may appear, must play a subordinate role to the success of the Airbus system as the future core of a united European aerospace industry." *Michael Skapinker, Aerospace Correspondent*

Canada oil contract awarded

An international engineering and construction consortium including Canada's Agra Industries and PCL Constructors, Brown & Root, Haliburton and FMC of the US and Doris and Coflexip Stena of France has emerged as the winning bidder to build a US$1.2bn floating production system for the Terra Nova offshore oil field, 200 miles south-east of St John's, Newfoundland.

Terra Nova, 34.2 per cent owned by Petro Canada, contains an estimated 400m barrels of recoverable oil. The production, storage and off-loading vessel will be able to process up to 125,000 barrels daily and store 1m barrels. Norsk-Hydro has a 15 per cent working interest in Terra Nova and 30 per cent in Petro Canada's other eastern offshore exploration properties. *Robert Gibbens, Montreal*

Australian car tariff dispute

Australia's Industry Commission, the statutory authority which advises the federal government on assistance to private industry, is divided over whether the country should continue to reduce its tariffs on automotive products after the year 2000. In a draft report, two of the three commissioners looking into the issue have recommended further tariff reductions of 2.5 per cent a year between 2000 and 2004, taking the tariff down to 5 per cent. Mr Bill Scales, the presiding commissioner, said that this would be consistent with Australia's commitments under the Asia Pacific Economic Co-operation (Apec) forum's free trade agenda and place Australia in a good position to achieve the Apec goal of free trade by 2010. But Mr Ian Webber, associate commissioner and an industrialist who has worked in the car industry, said his preference was to maintain the tariff at 15 per cent, at least until 2005. He said that the sector needed more time to adjust to the existing tariff cuts programme. *Nikki Tait, Sydney*

■ Svenska Cellulosa Aktiebolaget (SCA) of Sweden will form a joint venture with Japanese group Uni-Charm KK to sell incontinence products in Japan, a market worth about SKr800m ($117.6m) and growing by 10 to 15 per cent a year, SCA said. Uni-Charm KK is the market leader in Japan for baby diapers and feminine protection products. *AFP, Stockholm*

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Dexia, the European banking group born out of the merger of Crédit Local de France and Crédit Communal de Belgique.

Dexia is the fruit of the pooling of the values, skills and financial means of two credit institutions:

- Crédit Local de France, a leading financial partner of local communities in France with a network of establishments in Europe and in the United States.
- Crédit Communal de Belgique, a leading bank in the local government sector, Belgium's leading retail bank and the majority shareholder of the Banque Internationale à Luxembourg.

A European banking group with total assets of USD 200 billion.

With USD 8 billion in equity and total assets of USD 200 billion, Dexia's financial health will enable it to enjoy rapid international expansion. The complementary nature of collecting deposits and refinancing on international markets ensures Dexia the financial means for its development.

DEXIA

The European banking group, the leader in financing public services, has been born.

A solid group, involved with its partners.

Quoted on the Paris and Brussels stock exchanges, Dexia will be announcing its results starting in 1996. For the first half of 1996, it has already posted a combined net profit of more than USD 340 million. Anxious to offer its shareholders the best investment, Dexia will pursue an active dividend policy.

A group which finances the living environment with nearly USD 20 billion in new loans each year.

Public transport, motorway infrastructure, facilities for education, health, telecommunication, environmental protection, power supply, home improvement - needs are considerable the world over. Dexia, specialized in financing community facilities and in financial services for public administrations, will be seeking to develop all branches of the banking profession in order to offer the best-adapted banking products and services to its clients throughout the world.

CRÉDIT LOCAL de FRANCE

BANQUE Crédit Communal

International negotiators fly in to meet Peru rebels

By Sally Bowen in Lima

Negotiating teams from up to 12 countries were arriving in Peru yesterday to provide assistance in talks with leftwing guerrillas who stormed the Japanese ambassador's residence on Monday.

About 30 guerrillas from the Marxist Tupac Amaru Revolutionary Movement were still inside the residence; holding hostage at least 200 high-ranking diplomats, senior military officials, Japanese businessmen and Peruvian government officials.

Specialised negotiating teams have already arrived from Japan, the US and Britain as well as from several Latin American countries, and more are on the way.

US President Bill Clinton was in touch with the Japanese premier, Mr Ryutaro Hashimoto, and both have offered assistance to the Peruvian president, Mr Alberto Fujimori. Mr Yukihiko Ikeda, the Japanese foreign minister, is today due to arrive in Lima to help with attempts to free the captives.

Mr Fujimori himself has made no public statements so far on the crisis, although he has been in almost permanent session with his cabinet – barring the two ministers, including the foreign minister, Mr Francisco Tudela, held in the Japanese residence.

The prospect of an internationally co-ordinated negotiation was viewed as reducing the risk that the incident would damage Mr Fujimori politically.

Tensions, which ran high on Tuesday as it became clear that the guerrillas' demands for Mr Fujimori himself to negotiate were not going to be met, were easier yesterday.

The guerrillas set no new deadlines for the killing of hostages after one which passed on Tuesday without incident.

Food, water and medicines, arranged through the unofficial on-site negotiator, Mr Michel Minnig, the Lima representative of the Red Cross, were also passed to the hostages on Tuesday.

The government has appointed Mr Domingo Palermo – a little-known figure who has recently joined the cabinet as education minister – as official mediator.

The four ambassadors – of Germany, Greece and Canada together with a Peruvian of ambassadorial rank – released on Tuesday were asked by the guerrillas to act as a "bridge" between them and the Peruvian authorities.

They were asked to seek a "negotiated solution without bloodshed", according to a statement read by the diplomats on their release.

Peruvians rallied behind Mr Fujimori, whose popularity has plummeted in recent months. Mr Javier Pérez de Cuéllar, the former UN secretary general who was Mr Fujimori's chief opponent in last year's presidential elections, has given important support to a regime of which he has generally been a severe critic. "Painful and dramatic though the situation is," he said, "it in no way casts doubt on the credibility or the internal security of Peru."

Most local analysts also postponed the inevitable post mortem on the surprisingly effective attack by a guerrilla group which had widely been considered moribund.

Questioning over why Peru's national intelligence service – frequently praised by Mr Fujimori as one of the best in the world – had no inkling of the attack, or why the response of the experienced counter-terrorist police was so slow and ineffectual, has been placed on hold for the moment.

Hostages make up Japanese who's who

Their plight is a reminder of the Tokyo-Lima special relationship, writes William Dawkins

The list of Peruvian hostages is a revealing who's who of corporate Japan.

While painful, their plight is a reminder of how a special relationship between Tokyo and Lima has flourished since Mr Alberto Fujimori, son of a Japanese immigrant, became president six years ago. That link must have made the Tupac Amaru Revolutionary Movement guerrillas rightly calculate that rounding up the guests at Japanese ambassador's Imperial birthday party would have a seismic impact.

Apart from the other ambassadors and senior Peruvian politicians, the hostages include local bosses of the top trading companies, Mitsubishi, Marubeni and Mitsui; of Matsushita, the world's largest consumer electronics company; NEC, the computer group; Toyota and Nissan, the first and second largest Japanese car producers and Japan Airlines.

There was little that their colleagues back in Tokyo could do or say yesterday, beyond sift piecemeal information, dispatch executives to the scene, and pray.

This is not the first time that Japanese people have been targets in Peru. Only five years ago, three agricultural experts working on an aid project were killed by leftwing guerrillas, followed by the bombing of a Japanese cultural centre and restaurants. As a result, Japan suspended sending aid workers there.

But it is one of the most violent episodes in a long and generally cordial relationship stretching back to 1872, when Peru became the first Latin American nation to sign a friendship treaty with Japan. Its Japanese community was founded at the turn of the century when 790 impoverished rice farmers emigrated to seek riches growing sugar. Mr Fujimori's own parents, poor fishing people, arrived in the 1930s.

There was some friction between the Japanese and Peruvian communities during the second world war, but the Japanese populace has since flourished. However, some of these strains have resurfaced in recent years as Mr Fujimori has appointed members of the Japanese community to important positions.

At the latest count, the Japanese community had grown to 100,000, the second largest in the region after the one in Brazil, and as Mr Fujimori's success has shown, a pillar of the business and political establishment.

But it is Mr Fujimori's market-oriented economic policies, more than his Japanese roots, which have won the respect of the Tokyo government. This is shown in a sharp increase in official aid in recent years, criticised by the guerrillas for helping only a "select few", and an increase in political contact.

Japan was the first country to provide official loans to Peru after Mr Fujimori took office, when other bilateral donors and multilateral institutions were refusing to increase lending because of the country's debt crisis.

Mr Ryutaro Hashimoto became the first Japanese prime minister in 14 years to visit Peru, part of a Latin American tour, in August. At the time, he agreed a $615m soft loan for a hydro-electric plant, sewage treatment and roads – double official Japanese loans for Peru last year.

By the end of March, outstanding Japanese official loans to Peru – Latin America's second-largest borrower from Japan after Brazil – stood at $1.06bn and grants amounted to $1.21bn more, making Japan the country's most generous donor after Germany.

During his tour, Mr Hashimoto signalled he wanted to build the relationship further by promising to back Peru's candidacy to join the Asia Pacific Economic Co-operation forum. Mr Fujimori reciprocated by promising support for Japan's bid to become a permanent member of the United Nations Security Council, and was duly welcomed back to Japan in November.

It was during the Peruvian leader's stay in Tokyo last month that Mr Hashimoto offered to send a high-level economic mission to Peru, Japan's first to that country, in January. There were no signs yesterday that the Japanese government would shelve that visit.

Typically, an increase in political and economic ties with Japan paves the way for increased trade and investment, as emerging countries in east Asia have found. Corporate Japan has certainly rolled into Lima, as shown by the impressive roll call at the ambassadorial party. But Japanese managers remain cautious.

Trade is small. Japanese exports to Peru, mainly machinery and tools, rose by 4 per cent to a mere $300m last year, Peru's exports to Japan, chiefly raw materials, rose by 27 per cent to $541m over the same period.

Corporate investment from Japan has grown, especially in metals mining in the past two years. But it remains minuscule, 0.8 per cent of total outstanding foreign investment in Peru by September 1995, according to the Japan External Trade Organisation.

This week's attack will probably not hinder Japanese official aim, to establish the traditional beachhead in a developing economy. But it may prove to corporate planners in Tokyo that they are right to remain circumspect about investing in there.

Relatives of Japanese hostages wait outside the ambassador's residence for news Reuter

Latin America back on track with record direct investment

By Imogen Mark in Santiago

Latin America ends 1996 with modest growth, continuing steady gains in reducing inflation, and consolidated access to the international capital markets, with a record inflow of $30.8bn in direct investment, the UN Economic Commission on Latin America and the Caribbean said yesterday.

The region is thus back on track after the setbacks last year following the Mexican devaluation in December 1994 and the sharp recession there and in Argentina in 1995. Eclac's annual year-end report, which is based on official figures and projections, records a regional growth rate of 3.4 per cent.

However, the region's modest growth has not created jobs. Urban unemployment was higher this year than last, at 7.7 per cent in the first nine months. The figures are only partial indicators because of the large informal economy in much of Latin America. But they also show employment becoming precarious as jobs grow faster in the informal sector and become less stable in the formal economy, the report notes.

"What we are beginning to see is a structural change, a shift into commodities, into capital intensive industry. With the emphasis on greater competitiveness, there has been an increase in productivity, especially in the export sector. But there has been a displacement of labour into less productive industries or onto the street," said Mr Gert Rosenthal, Eclac's general secretary.

"This is consistent with the idea that there are large sectors of the population who are not benefiting from the economic recovery."

Mr Rosenthal warns that the region's economies have not resolved the dilemma between stability and growth.

The dilemma may be partly resolved, Mr Rosenthal thinks, if the new pattern of external finance can be maintained. Total capital inflows grew from $26bn in 1995 to $50bn this year (though emergency flows, in the packages to Mexico and Argentina were higher in 1995). But the most important factor was the shift from short to medium- and long-term lending, at least for the big economies, with exceptional growth in public and private sector bond issues. These totalled almost $30bn for average seven-year notes.

International conditions favoured the region – stable interest rates in the US, and low rates in Germany and Japan made Latin America's higher rates attractive. But Mr Rosenthal thinks the trend may be more permanent to the extent that it was partly a result of government policies. "After Mexico they took fright over short-term financing and went for macroeconomic policies which would encourage longer-term investment."

One result was the high level of direct investment, at $30.8bn. An important part was capital for new ventures, as well as for privatisations.

The external finance helped cover the region's current account deficit, which at $32.5bn was about the same as last year and only 2 per cent of the region's GDP. International reserves increased by $18.5bn. But the inflow also put pressure on local currencies, which appreciated against the dollar in most cases.

Argentina was an exception. Although the peso is maintained at a fixed rate against the dollar, it depreciated against a basket of currencies of its main trading partners, of which Brazil is the most important.

Preliminary Overview of the Economy of Latin America and the Caribbean. Distribution Unit, Eclac/Cepal, Casilla 179-D, Vitacura, Santiago, Chile. $5.00. Internet address: www.eclac.cl

Court backs encryption exports

By Louise Kehoe in San Francisco

A California judge has ruled that US federal laws limiting exports of encryption software, which can be used to ensure the security of Internet messages, are unconstitutional because they violate the free-speech rights of US citizens.

The ruling is a challenge to a controversial federal policy that classifies strong encryption software as "munitions" and severely limits exports. The controls apply, for example, to Internet browser software and other communications programs that contain strong "scrambling" software.

The government is expected to appeal against the decision, by US District Judge Marilyn Hall Patel. It represents, nonetheless, a victory for free-speech advocates who maintain that the federal policy is inhibiting their rights.

"American scientists and engineers will now be free to collaborate with their peers in the US and in other countries. This will enable them to build a new generation of tools for protecting the privacy and security of communications," said the Electronic Frontier Foundation, a civil liberties group.

The ruling came in a suit filed by Mr Daniel Bernstein, a mathematics professor at the University of Illinois-Chicago. In 1993, the State Department prohibited Mr Bernstein from publishing on the Internet encryption and decryption programs, called Snuffle and Unsnuffle, he had written.

"Software related to encryption is simply a topic of speech employed by scientists involved in applied research," the judge said. "Hence, Snuffle is speech afforded the full protection of the First Amendment."

The administration maintains, however, that it is essential to limit exports of encryption software so that law enforcement authorities can screen messages related to crime or terrorism.

Under pressure from the US information technology industry, President Bill Clinton announced some relaxation of export controls in November. Developers of strong encryption codes will be granted export licences, but only if they develop schemes that enable court-ordered "wire-taps".

The ruling was welcomed by critics of the federal policy who say export controls hamper the growth of electronic commerce and banking. Encryption is needed to protect credit card numbers or other forms of electronic payments sent over the Internet, they argue.

It is not yet clear, however, what impact the California court ruling may have on federal laws. The ruling applies only to California and is not binding on other US courts. Moreover, companies that develop cryptography are still required to adhere to export restrictions.

AMERICAN NEWS DIGEST

Boost for implant makers

The US legal battle over the health effects of silicone breast implants has swung further in favour of the manufacturers with a court ruling that could help resolve some of the scientific argument surrounding the devices.

A judge in a federal court in Seattle ruled late on Wednesday that evidence which purported to show a link between silicone implants and some of the illnesses they have been blamed for was not scientifically valid, and so could not be called in a case brought by 70 women.

If his decision stands, it could set a precedent for other courts around the country hearing similar cases. Implant manufacturers have seen the tide of public and scientific opinion turn more in their favour this year, with several academic and public studies questioning whether the devices are as harmful as claimed. They hailed the decision as an important victory.

Critics have said that silicone is responsible for a wide range of connective-tissue illnesses and damage to the body's immune system. Those allegations led 400,000 women to lodge claims for compensation two years ago in a scheme that would have marked the biggest product product liability case.

The fund later collapsed, and the biggest implant maker, Dow Corning, filed for bankruptcy. Dow Corning has called for a separate legal ruling on the validity of scientific evidence about implants as part of its own plan to emerge from bankruptcy. *Richard Waters, New York*

US TV rating plan unveiled

President Bill Clinton and entertainment industry executives yesterday unveiled a controversial system to rate television programmes, to give parents more control over their childrens' viewing habits.

Mr Clinton made television ratings a centrepiece of his re-election campaign, responding to a widespread anxiety about the decline of the American family and the erosion of traditional values. He focused public pressure on the TV industry, in effect forcing industry executives to come up with their own voluntary rating system.

White House officials cite the agreement on TV ratings as a big achievement of Mr Clinton's first term, which focused on achieving small, practical gains.

However, the system announced yesterday, which is similar to that used by the film industry, has already come under sharp criticism from some parent and religious groups. The ratings cover six categories, and are based mostly on age. Critics want a more specific, content-based system which rates the sex, violence and language used in each show. Industry executives say such a system would be too complicated.

The rating system will begin to operate early next year. In addition, from 1998, the installation of the so-called "V-chip" in new television sets will make it possible to block shows electronically, using their rating as a basis. *Patti Waldmeir, Washington*

Brazil's landowners squeezed

Brazil has moved towards reducing its unequal distribution of land after Congress approved a bill which will substantially increase the tax on unused farmland.

Landowners who have over 5,000 hectares of land which is not in productive use face a tax of 20 per cent of the value of the land, under the presidential decree passed by a joint session of Congress late on Wednesday night.

Mr Raul Jungmann, the agriculture minister, said the new bill was "revolutionary" because it made it "impractical to maintain unproductive farmland".

The high concentration of land ownership in Brazil – nearly 80 per cent of farmland is in the hands of only 10 per cent of farmers – is one of the country's most serious social problems and has led to an increasing number of violent disputes.

The government, which has come under strong criticism this year for its slowness in addressing the issue, hopes the tax will force larger farmers to sell part of their estates. It follows two other land reform bills passed by Congress this month.

The bill was strongly opposed by the large cross-party group of landowners in Congress and was partly diluted before it was passed. A spokesman for the Landless Labourers Movement, which demands radical land reform, welcomed the bill but said the more important issue was how strict the government would be in implementing the new rules. *Geoff Dyer, São Paulo*

Menem changes labour rules

President Carlos Menem of Argentina has decreed changes to the country's labour rules, in a signal of the importance he attaches to proposed labour reforms now being held up in Congress.

The decrees allow small businesses to negotiate contracts without trade unions and give greater powers for the government to intervene in labour disputes. However, they do not address the more fundamental issues covered in the bill before Congress.

Mr Luis Secco, an economist at the Miguel A Broda consultancy, said the changes were important as a signal of Mr Menem's determination to change the labour law, which would decentralise wage bargaining and change the redundancy payments system. Ms Debora Giorgi of the Alpha consultancy said the decrees were a surprise and a signal of Mr Menem's frustration at the delays to legislation while the government negotiates with trade unions. *Stephen Fidler, Latin America Editor, London*

Anger at Guatemala amnesty

An amnesty for crimes linked to Guatemala's 36-year-old armed conflict has been approved by Congress just days before the government and leftwing guerrilla leaders are due to sign a peace pact on December 29. The National Reconciliation Law was passed with an overwhelming majority, despite protests by human rights activists.

The new law, agreed on Wednesday, legalises the disarmed URNG guerrilla rebels by waiving prosecution for such "political" crimes as rebellion and sedition. It also pardons "common" crimes connected to political ones. But most controversially, it lifts the duty to prosecute agents of the state for common crimes associated with counter-insurgency efforts.

Human rights organisations have campaigned hard against the granting of an amnesty to the Guatemalan military, reputedly one of the worst human rights abusers in the continent.

However, it is extremely unlikely that the military would have accepted a peace that opened the flood gates to prosecutions. *Johanna Tuckman, Guatemala City*

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Medium-weight van will be designed in France and made in England

Joint venture by GM and Renault

By John Griffiths in London

General Motors and Renault are to make a joint assault on Europe's market for panel vans, they announced yesterday. In a few years about 60,000 vans a year will be made by IBC Vehicles, the GM-controlled plant now making the Vauxhall Frontera off-road model. Panel vans are those not derived from cars.

The most significant element of the deal is that Opel, GM Europe's German subsidiary, and Renault will develop jointly – within Renault's engineering organisation at Creos in France – a new medium van in the 2.5 tonne to 2.8 tonne range. This is destined to go into production shortly after the turn of the century and will be supplied exclusively from the IBC plant at Luton, north of London.

GM Europe, Opel and the French vehicles group have signed a long-term co-operation agreement paving the way for a partnership in the sector "to continue well beyond the year 2010", the parties said yesterday.

Initially, the agreement provides for Renault to supply GM Europe with its existing Trafic panel van range, to be sold as the Vauxhall/Opel Arena.

Another element of the deal is that Renault will also supply Vauxhall and Opel with a larger van, of up to 3.5 tonnes, which is currently under development by Renault and will be produced at its Batilly plant in France currently producing the Trafic and larger Master model. This also will be marketed under the partners' respective brand names.

The partners are anxious to capture a substantially greater share of western Europe's panel van market, one of the region's biggest commercial vehicle sectors, accounting for around 750,000 sales a year. It is now dominated by Volkswagen's Transporter and Ford's Transit.

IBC itself is a joint venture company, founded by GM with Isuzu of Japan in the 1980s to build the Midi one-tonne panel van. Midi production ceased earlier this year. The plant is now 82 per cent owned by GM, with Isuzu – in which GM also has a stake – holding the remainder.

The project will give General Motors its first big stake in the panel van market since it sold its Bedford subsidiary in the UK in the 1980s.

It also marks the end of a long search by Renault to find a substitute partner for exploiting the panel vans market after its collaborative vans venture with Daf was aborted by the collapse of the Anglo-Dutch commercial vehicle maker three years ago.

UK car production this year is above 1.6m for the first time since 1973, the Society of Motor Manufacturers and Traders said yesterday, John Griffiths writes. The rise has been driven mainly by Ford and expansion at UK factories of Toyota and Honda.

An export-driven production increase in November lifted output for the first 11 months by 9.2 per cent to 1,564,508 vehicles. The 11-month total exceeds that of any full year since 1973. December production is set to match the 98,217 vehicles of December 1995. This year's likely output of nearly 1.7m units would be almost double the 887,000 units of 1982, the industry's worst year since the 1950s.

November's output for export jumped by 19.3 per cent compared with November 1995. Production for UK showrooms fell by 15.4 per cent.

LME is urged to publish more data

The Securities and Investments Board has called for a review of the exchange's practices

The Securities and Investments Board, the UK financial watchdog, suggests that the London Metal Exchange should review the composition and practices of its board to avoid potential conflicts of interest between the exchange's regulatory duties and its commercial interests.

The exchange should also look at the board's relationships with its committees and with the chief executive and his staff, the SIB says, "with a view to much greater delegation to both of matters concerning the running of the exchange and market supervision and surveillance".

Also, "the board should formally delegate responsibility for monitoring market trading and for intervening where necessary to maintain a proper market".

As well as reviewing the composition of its committees, the LME should establish a clearer relationship between the board and the executive, with greater delegation of responsibility to the executive.

Staffing in the market operations and exchange compliance departments should be increased and the exchange should create the post of head of market regulation and enforcement.

The SIB says most respondents to its consultation paper were satisfied with the integrity of the official prices and closing prices from the LME's ring. However, some were not satisfied with the level of transparency in inter-office trading. The SIB therefore is recommending that the LME publish indicators of price and volume in relation to inter-office trading which are drawn from existing systems.

It adds: "We recognise there would be substantial costs in achieving real time publication of trades on the LME . . . We are therefore not recommending this specifically at this stage, although it should be given detailed consideration when the LME assesses the costs and benefits of future market developments."

Details of inter-office trading would also address part of the problem arising from the lack of transparency in options trading, the SIB suggests. Most respondents expressed concern about this. It should also be possible for the LME to achieve an appropriate degree of pre-trade transparency for options by publishing quote information.

The SIB also suggests that more detailed information about warehousing arrangements, which produced much comment from organisations that responded to the consultation exercise, would be desirable.

Dealing with the relationships between LME members and their customers, the SIB suggests that the LME should consider implementing video and audio surveillance to bring the exchange into line with best practice. The exchange should also review its rules to ensure it can determine the exact relationship between its members and their customers.

As for non-regulated customers, "the LME should pursue its plan to review and amend its rule book so as to seek to afford the LME greater access of information about and, where possible, jurisdiction over its members' business, such as large positions they may hold, whether on-exchange or over the counter".

The LME should also undertake a study of the costs and benefits relating to the introduction of an electronic paperless system for the transfer of warrants [indicating ownership of physical metal].

The SIB has rejected calls for it to impose changes in the LME's non-cash clearing system, "in the light of its assessment of costs, benefits and risks and of the consultation results".

Kenneth Gooding

Raj Bagri, chairman of the London Metal Exchange, whose trading floor in the City is as busy as ever

University research standards improve

By Simon Targett, Education Correspondent

British universities are producing more world-class research than ever before, the Higher Education Funding Council for England said yesterday. But, although Oxford and Cambridge remain the top-rated universities, there is still a considerable spread of excellence with as yet no sign of an emerging "Ivy league".

Mrs Gillian Shephard, education secretary, said the exercise, showed that a third of staff work in top-rated departments compared with a quarter in 1992. That testified to the UK's "dynamic research base" which "will stand us in good stead in a global economy where higher level knowledge and skills count more and more".

The funding council ruled after examining 192 institutions and 69 subject areas, ranging from clinical laboratory sciences to sports related studies, that some 573 university departments are producing work of international standard. That compares with 348 in 1992, the last time the exercise was carried out. The top subjects are history, music, biological sciences and pure mathematics.

Oxford, with 1,494 world class researchers in 40 subjects, and Cambridge, with 1,395 leading academics in 44 subjects, top the list. They are followed by University College, London, with 793 international high fliers in 29 subjects.

Some 87 institutions attained the international 5 or 5* quality rating this year in at least one subject. Across the sector, some 14,786 staff were adjudged to be researchers of international quality.

Even some of the former polytechnics now classed as universities are turning out international research work. This year, Liverpool John Moores, Thames Valley and East London joined Westminster, which retained its 5 rating for media studies achieved in the last exercise four years ago. Across the spectrum, of former polytechnics, some 351 departments were awarded a 3 rating, compared with 96 in 1992. This means they will be guaranteed some government cash next February when, on the basis of this assessment exercise, the funding council distributes money for research.

The exercise was conducted amid allegations that some universities were "poaching" top academics from rival universities prior to assessment deadline last April.

But Mr Bahram Bakhradnia, of the funding council, said there was little evidence of a "transfer market". Research to be published next month is expected to show there was only a 2 per cent movement in academic staff.

American Brands subsidiary to close factory

By Clay Harris in London

Gallaher, the tobacco group owned by American Brands of the US, is to close its cigarette factory in the northern England city of Manchester with the loss of 950 jobs.

UK cigarette production will be concentrated in one facility at Lisnafillan, in Northern Ireland, where Gallaher said it expected 300 jobs would be created through an expansion involving the installation of ultra-high speed cigarette machines.

Gallaher is UK market leader with about 39 per cent of cigarette sales. Its brands include Benson & Hedges and Silk Cut.

The closure of the factory at Hyde, Manchester, will take place over three to four years, with the first jobs due to go in about 18 months, the company said. The expansion at Lisnafillan would take place over the same period. Gallaher said it expected this to involve £40m ($66.8m) in additional investment, but that it would incur £70m in restructuring costs.

The new machines will have the capacity to make 14,000 cigarettes an hour, compared with 8,000 at Manchester. Gallaher said it expected to achieve "significant cost benefits".

Last year, the Manchester factory accounted for 55 per cent of the 44bn cigarettes made by Gallaher in the UK.

The Irish factory had been chosen as the site for the single plant in part because it was a purpose-built facility. The Manchester plant was a converted cotton mill, into which Gallaher moved in 1959. It had made cigarettes in Manchester since 1936. Lisnafillan, which also makes pipe and hand-rolling tobacco, had the capacity to handle a larger volume of primary tobacco processing, Gallaher said. After the expansion, the factory will have annual capacity to make up to 50bn cigarettes. Gallaher said it had an option to buy four of the latest ultra-high speed cigarette making and packing machine modules.

Mr Mike Mulhern, national secretary (tobacco) for the MSF, the trade union that represents white collar and shopfloor workers at Manchester, said it was not a sound commercial proposition for Gallaher to "put all its eggs in one basket". It also did not make sense to close Manchester when Gallaher's national distribution centre was only a few miles away. The closure would be resisted with a campaign in the new year. A meeting with the company had been scheduled for January 7.

In the US, American Brands said it would take a restructuring charge of approximately $80m, or $55m after tax, in the fourth quarter of 1996.

Telecoms licences won by 44 applicants

By Nicholas Denton in London

The UK government yesterday flung open its telecoms market – a year ahead of the schedule for its European neighbours – in an effort to attract £5bn ($8.35bn) of investment into the industry and establish the UK as a regional communications hub.

The move will also increase the pressure on US regulators to accept that the UK market is open to US operators and therefore to permit the proposed merger between British Telecommunications and MCI Communications of the US.

Forty-four operators, including AT&T of the US and the Global One alliance of Deutsche Telekom and France Telecom, won licences which will allow them to compete on largely equal terms with the two dominant UK telecoms companies.

The international facilities licences they have gained will allow new entrants and international operators to build and operate their own networks rather than rely on leasing lines from British Telecommunications and Cable & Wireless.

The unilateral liberalisation is expected by some analysts to result in a decline in UK telecoms companies' share of international traffic and a deterioration of up to £1bn in their annual international revenues.

But Mr Ian Taylor, UK minister responsible for telecoms, said the forecast was pessimistic. He said any loss would be outweighed by an increase in telecoms traffic and an expected £5bn in additional telecoms investment in the three years to the year 2000.

Mr Taylor also expected the Federal Communications Commission in the US – which is vetting BT's proposed merger with MCI Communications – to allow UK telecoms operators the same access to the US market.

"The recipients of the licences include 20 US operators," said Mr Taylor. "Telecommunications should be an open liberalised market – including the US where the actions of the FCC should match their rhetoric."

The UK Department of Trade and Industry immediately came under pressure from UK telecoms operators to ensure reciprocal liberalisation.

"We urge the DTI to step up its efforts to open other countries' national and international telecommunications markets – especially in Europe where most of them are still closed to competitors," said Mercury Communications.

The trade department, in issuing 44 international facilities licences, granted them to all but two of the applicants. NTL – the former transmission division of the Independent Broadcasting Authority, now owned by International CableTel – is expected to receive a licence early next year. Opal Telecommunications dropped out of consideration.

UK NEWS DIGEST

London 'needs cash to keep up'

The London Pride partnership yesterday called for heavy investment in the capital to prevent it from losing ground to other big cities such as Tokyo and New York. It recommended a series of business investment districts, based on a New York model, in which an increase in local taxes levied from businesses helps fund environmental and anti-crime initiatives.

The partnership, whose City of London and municipal authority members include several prominent figures from the governing Conservative party, says a lack of investment has led to the decline of London's public transport, streets and parks. London Pride suggested that the budget for the London Underground railway should be £3.7bn ($6.2bn) over the next five years to eliminate a backlog of repair and refurbishment. Last week Mr Kenneth Clarke, chief finance minister, angered members of the partnership by telling them to stop "rattling the can" for more cash for the Underground. *George Parker*

■ INSURANCE

Lloyd's chief apologises to Names

Lloyd's of London chief executive Mr Ron Sandler has written to Names apologising for the insurance market's failure to distribute surplus payments as planned from its recovery plan. Mr Sandler said he was sorry "many members have received so far only a proportion of their anticipated profits or, in the case of others, no payment at all". Surpluses were originally supposed to be paid to Names, individuals whose assets have traditionally supported the market, by the end of September following the completion of Lloyd's recovery plan. But unexpected delays arising from a solvency test in the US meant that the timetable slipped.

Lloyd's apology to Names for the late distribution of surpluses came as the insurance market launched three test cases in the High Court in London against Names refusing to pay their debts. *Christopher Adams*

■ ECONOMY

Rapid growth in money supply

Money supply figures issued yesterday indicated the fastest growth since January 1991. The Bank of England, the UK central bank, said M4 – the broad measure which includes notes, coins and bank and building society deposits – grew 10.8 per cent in the year to November. The measure has been at or above the ceiling of the government's monitoring range of 3 per cent to 9 per cent since late last year. The latest increase, from 10.5 per cent in October, follows recent strong economic data, including a record fall in unemployment and buoyant retail sales.

Bank lending was especially strong because of corporate borrowing. The British Bankers' Association said total bank lending to the private sector rose by £4.6bn ($7.68bn) in November. *Emiko Terazono*

■ CHANNEL TUNNEL

Public offering 'still on track'

Passengers numbers on Eurostar trains using the Channel tunnel between England and France are expected to reach normal levels early in 1997, London & Continental Railways said yesterday. They were halted last month by a fire on a freight train. LCR, which is to build a 110km high speed link between the Channel tunnel and London, does not expect the dip in passenger numbers to cause problems for its proposed public offering in 1998.

"It will be difficult to raise funds of the size needed," said Mr Adam Mills, LCR chief executive. "But we will have much more detailed costings than Eurotunnel did when it raised finance and we also have a safety case [detailing safety requirements and procedures] which Eurotunnel did not have." Additional safety demands on Eurotunnel, operator of the tunnel, led to a big rise in costs. *Charles Batchelor*

■ SOCCER

Newcastle United to seek listing

Newcastle United soccer club yesterday confirmed it would be listed on the London Stock Exchange next year. The club said it would release no financial details until the middle of January but analysts forecast that the club's market value would be between £150m-180m ($250m-300m). The higher figure would make Newcastle the biggest quoted soccer club after Manchester United. Newcastle made pre-tax losses of £5.1m on turnover of £27.9m in the year to July. The purchase of leading player Alan Shearer for £15m is likely to result in another loss this year.

Shares in the four listed Premier League clubs have risen by an average of 200 per cent so far this year, as investors expect growing revenues from merchandising, pay-per-view television and gate receipts. *Chris Tighe*

Observer, Page 19

■ NORTHERN IRELAND

IRA ceasefire 'still possible'

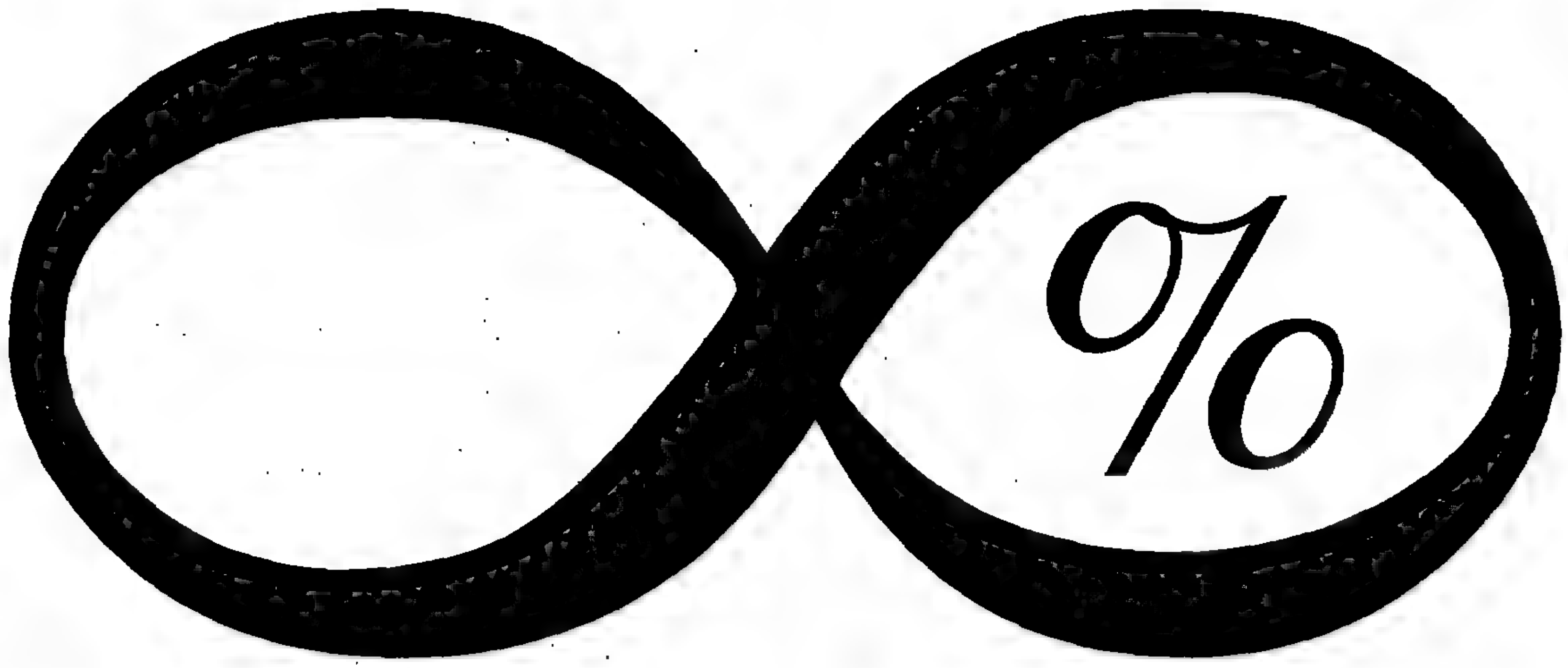
Resumption of the Irish Republican Army's ceasefire is still possible, Mr John Hume, leader of the constitutional nationalist Social Democratic and Labour party in Northern Ireland, said yesterday. He said he was convinced that the renewed IRA campaign of violence would cease if Mr John Major, the UK prime minister, responded positively to his proposals aimed at clearing the way for the early admission of Sinn Féin to talks on Northern Ireland's future. Sinn Féin is the political wing of the IRA.

■ FUND MANAGEMENT

Regulator chairman to step down

The Investment Management Regulatory Organisation, the fund management industry regulator, has announced that Mr Charles Nunneley will step down as its chairman in July. He will be replaced by Mr Douglas McDougall, an Imro board member since 1988 Mr McDougall will be Imro's deputy chairman until he replaces Mr Nunneley next year. *William Lewis*

NCR



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MANAGEMENT

John Kay

Investment quality

In the long run our prosperity depends on the skills and capabilities of our companies and our workforce

Does it matter if all Britain's electricity generating companies are owned by Americans? The takeover of London Electricity by Entergy of the US means that only two will remain British. Does it matter if all our leading investment banks are subsidiaries of continental European financial institutions? If the British-owned car industry is replaced by one which is mostly owned by the Japanese? If we have to get our KitKats from the Swiss, our water from the French, and our beta blockers from the Germans?

The French government thinks it does. That is why it has recoiled from the prospect that its consumer electronics industry might fall into the hands of the Koreans, vetoing Daewoo's proposed purchase of this part of Thomson's business.

This is not a problem the British government has to worry about. The equivalent goods here have for years been made by companies called Sony, Hitachi and Samsung. There was a time when we took a different view. When Kuwaiti ownership of a 20 per cent stake in British Petroleum was too much to bear. When the Monopolies and Mergers Commission was horrified by the prospect that Royal Bank of Scotland's head office might move to London, far less Hong Kong. But not any more.

It is silly to be xenophobic about all this. It is an undeniable, if depressing, fact that the car industry and the consumer electronics industry, under UK ownership, largely failed to meet the challenges of international competition. We did make things worse by merging all our small weak competitors into a large weak competitor, in the hope that one national champion would enjoy critical mass, global niche, and several other cliches. But today, the only way we can have viable companies in cars and consumer electronics is to have Japanese ownership, management and design.

And if American companies want to buy our regulated utilities for more than they are worth, the difference is a net gain to UK plc. The world is full of regulated companies with more cash than knowledge of the markets they want to enter, convinced that the grass must be greener somewhere else. What really ought to concern us is not when foreigners buy here, but when our own companies, suffering from the same misconceptions, believe that the regulatory climate will be more benign in Bangkok than Birmingham.

So should we just let the market rip? An economy in which we are all employed as production workers for foreign companies, and then retire on well-funded pensions we have financed by selling the future earning streams of our companies to overseas investors, is certainly better than one in which there is little employment and no pensions.

But in the long run our prosperity depends on the skills and capabilities of our companies and our workforce, and that does not sound like the best environment for developing these.

This brings us to the nub. Our national economic objective is to maximise the added value which is created in Britain. We can only add value by having skills and capabilities – in people or in companies – which are better than those of the companies and countries with which we are in international competition. So we should welcome foreign ownership when it adds to these skills and capabilities. And we should deplore it if it means that these developments take place somewhere else, or that the benefits of enhancing their value accrue to somewhere else.

So we should not be too disturbed by the fact that much of what is done in the City is done by companies with foreign parents. Ownership may have been transferred, but London is still where the value is added, and that means the return from adding that value will be earned here. the increasing involvement of foreign companies in London has led to the bidding up of the earnings of people with specialist skills. And the presence of so many foreign companies helps to enhance these skills and confirm London as a centre where they are located.

But we should be more sceptical about those foreign direct investments which are the subject of enthusiastic ministerial announcements – creating, they tell us, thousands of jobs in depressed regions. These companies have not come here to make British skills available to a wider market. They have been attracted by the top bidder in a subsidy competition among many regions of Europe and often regions of the UK. This is a competition among areas all of which can offer equivalent – generally rather low – levels of resource and capability.

And we should be more sceptical still about allowing control of British industries to pass into foreign hands if this means either that future development of these industries' strengths will be driven from overseas, or that the benefits of enhancing these competitive strengths will be derived overseas. Whatever is said about the globalisation of the world economy, most companies remain resolutely national at the highest levels of operation, and their highest added-value activities are biased towards their home country.

So we should think long and hard before allowing others to acquire our pharmaceutical or aerospace capabilities, even at extravagant prices. And it is good that our electricity industry should have access to American skills and expertise, but very undesirable that we should end up with no electricity distribution company headquartered here. As in so many other areas of economic activity, progress comes from diversity, and neither British laisser faire or French chauvinism guarantee that.

John Kay is chairman of London Economics and director of the School of Management Studies at Oxford University

Entergy's Ed Lupberger (left) and Bob Reid of London Electricity

TECHNOLOGY

Beefed up: engineers are being canvassed by the UK ministry for their suggestions

Burning issue

Philip Greenfield on ideas for dealing with the result of the BSE cattle cull

The beef crisis took a new turn this week when the UK government announced the cull of a further 100,000 cows at high risk of bovine spongiform encephalopathy (BSE).

The news will please farmers keen to see an end to a ban on sales of their cattle in Europe, but it heightens the big problem of disposing of the 1.1m cattle over 30 months old that have already been culled. "The vast majority of the animals that have been killed have yet to be incinerated," says the Intervention Board, which administers the scheme for the UK Ministry of Agriculture, Fisheries and Food.

Most of the carcasses have either been put in cold stores or rendered down into meat and bonemeal and tallow, which is also being stored awaiting incineration.

The government is still actively pursuing the possibility of burning rendered-down carcasses in power stations. This would solve much of the problem, but there has been opposition to the idea from environmentalists.

So the ministry is looking for other ways to reduce the backlog, relying on some inventive thinking from engineers. It has also invited members of the Institution of Mechanical Engineers to suggest ways of disposing of animal carcasses should there be any future outbreak of diseases such as BSE and foot and mouth.

One innovative proposal has come from Worldrill, a drilling company. Using technology developed for drilling for oil and gas in small, high-risk fields such as those in the Atlantic, it wants to create a large underground combustion chamber in a natural granite outcrop in southern Scotland.

The chamber would be fuelled by a mixture of kerosene and air, heating carcasses up to 1,500°C to eliminate all traces of the disease.

Worldrill would create the chamber using a technique called spallation drilling, where rock is heated to 2,300 °C using hot gases, causing it to flake and fall away. The company would begin by drilling a hole 220m deep. A second hole would be drilled parallel to the first. Next, these bores would be "spalled" to about 4m in diameter, increasing to 6m so the two holes intersect to create the chamber. A third hole would form the shaft, down which the cattle carcasses would be dropped.

The Creetown site, a disused quarry owned by Tarmac, is ideal for an underground oven, says Worldrill.

Worldrill plans to charge just £98 ($164) for a whole cow, compared with £120 charged by incineration companies and £80 a tonne for meat and bonemeal pellets.

The big advantage of burning cows underground is that the exhaust stack can be very long. The 200m flue proposed would keep the gases at 1,500°C for up to 11 minutes, long enough to kill all traces of the proteins, called prions, which are thought to cause and transmit the infection.

A cow is made up of 53 per cent protein, 6 per cent oils and fat, 22 per cent water and 19 per cent carbon and other non-combustibles. All that comes out of the other end of the process, after three stages of cleaning, is ash, carbon dioxide and nitrogen.

The Scottish Environmental Protection Agency, which would have to approve an application to build the oven, has received the proposal enthusiastically. However, it has asked that Worldrill provide more detailed data on the contents of the flue gas.

Meanwhile Aberdeen-based consulting engineers Titan Offshore UK has submitted a proposal based on technology used in Switzerland, home to a BSE problem second only to that in the UK. Titan has offered mobile slaughtering and incineration units with a gas clean-up unit designed to meet EU emissions standards.

Capable of processing 200 cows per week at a cost of about £55 per cow, the incineration unit burns at 850°C, reducing cows to sterile ash, says Jeremy Mockridge, international projects director.

Like Worldrill's proposal, the mobile incinerator is designed to kill the rogue prion protein. This is a claim that existing incinerators cannot make, according to environmental experts.

"Killing prions is not just a question of temperature alone and it is very expensive to test if they are still present," says Richard Bruce, who runs the Hartington Group, an environmental consultancy.

A third proposal comes from Essex-based BRC Environmental Services, which says its mobile microwave ovens would eliminate all traces of prions.

It has applied for £250,000 funding from the ministry to apply its microwave induced pyrolysis process, developed over the past six years for industrial use such as retrieving oil from tyres. This is being studied by the ministry as an alternative to incineration.

Cavin McDonald, engineering director, says the process raises the temperature of the carcass to 1,350°C under an inert gas to break it down into hydrogen or methane gas, oil, water and carbon char.

Securing the funding would enable the company to build a prototype. Eventually it would build units to clear up victims of future animal disease outbreaks.

Roger Lilley of Friends of the Earth, the environmental group, says that techniques such as microwaving are feasible and less polluting than incineration. "We have been calling for the use of microwave induced pyrolysis for treating clinical waste for some time," he says.

Philip Greenfield writes for Professional Engineering magazine

ACCOUNTANCY APPOINTMENTS

What may be naive pestering in the UK is healthy enthusiasm in the US, says Adrian Furnham

The importance of norms

Many children have had the experience of proudly telling their parents that they have achieved 87 per cent in the arithmetic exam only to be questioned about the class average and having to admit they came last.

Manufacturing companies, too, must have up-to-date information on the population as a whole in order to make the right judgments. Every so often, interesting data appear which suggest that Britons are getting bigger: the average shoe, bra and dress sizes are increasing. And woe betide the manufacturer who ignores the population norms and over-produces in the wrong size.

The establishment of good norms is especially important in the job selection business. Most people know that IQ has a near-perfect bell curve with the average score of 100, two-thirds of the population being between 85 and 115, and the top 2 per cent scoring over 130 IQ points.

But what about other abilities, or indeed one's scores on personality tests? Many widely used psychological tests have norms – quite often extensive norms on large and representative population groups – but not British norms. The Americans, who are enthusiastic developers and marketers of tests, have their own norms but are they relevant to an equivalent British population? Are middle-aged, middle-brow, middle managers from Birmingham really the same animals as their demographic counterparts in Birmingham, Alabama?

If stereotypes are to be believed, Americans are more extrovert, enthusiastic, optimistic and more open with their emotions than the phlegmatic Brits.

David Frost and Michael Shea in their book *The Mid-Atlantic Companion* pointed out that most Americans were puzzled by various aspects of British behaviour, and vice versa. Why do Britons apologise if you tread on their toes; why do they watch sheepdog trials on television, and why don't pre-ordered interval drinks in the theatre get stolen? The British, on the other hand, ask why cash or personal cheques seem to be shunned in America; why few New York cab drivers speak English; why rubbish bins and post boxes look so alike; and why the nation that worships fast cars obeys a 55mph speed limit.

The trouble is that tests tap into national beliefs and behaviours. What is normal for America is not always normal for Britain, or indeed, any other nation.

No wonder that personality tests looking at attitudes, beliefs and values in the two cultures do not tap into the same motives and traits. What may be naive pestering for the British is healthy enthusiasm for Americans. Hence American norms, which show British managers to be depressive, anti-innovative and prone to paranoia. British tests show American managers to be power-hungry and prone to delusions of grandeur.

Recently, the British psychometricians have got in on the act, trying to establish British norms. But the process is expensive. Oxford Psychologists Press, a psychometric text publisher, has spent over £200,000 so far simply trying to establish good norms on three tests. That is what it costs to complete and analyse a 2,000-strong national sample.

Why do the British watch sheepdog trials on television and why do car-worshipping Americans obey a 55mph speed limit?

Many of the results are pretty predictable. As Dr Robert McHenry, the head of OPP notes: "One of the issues is that the British express their emotions less openly than the Americans, so do not show much of a range. Comparing a Briton with an American tells you very little, but comparing members of the British population with each other tells you a lot."

Some interesting data emerged from the findings. Dr McHenry says some studies suggested that up to 70 per cent of the US population were extroverts but the UK study suggested that only 49 per cent of the UK population were extroverts.

The data also suggest that the UK population is much more comfortable with facts than with ideas (UK 80:20; US 70:30). He says the British are also less comfortable with tough-minded logic and prefer value-based, "softer", thinking (UK 40:60; US 53:47). "We [Britons] are similar to the Americans in our preference for order, decision-making and planning," which comes out at 60 per cent for both populations, and in preferences for a more easy-going attitude to life (40 per cent for both).

"Scores on one measure suggest that the British are less of almost everything than the Americans," including being less dominant, achievement-orientated and flexible. "However, we do score higher on self-control [the 'stiff upper lip'] and good impression ['keeping up appearances']."

But it is not only British companies that are interested in establishing good British norms. The US-based company Caliper looked at the major differences on their personality measures. Yanks and Brits, as they described their samples, were comparable on their assertiveness, empathy, cautiousness and abstract reasoning ability.

But there were also intriguing differences, nearly all of which showed the Brits in a less positive light. Relative to a comparable group of Americans, British salespeople were more aggressive, less rule-following, less thorough, less resilient, more suspicious and less willing to take risks, but had less of a desire to be liked.

But establishing norms is much more than an academic exercise. Dr McHenry argues: "The exercise suggests that many previous assessments of the typical British manager may have underestimated his/her levels on a number of scales. Moreover, some questions that work in America do not work here for local reasons. For example, a 'masculinity' question – 'I very much like hunting' – which is answered 'true' by 70 per cent of American men is answered 'true' by only 10 per cent of British men."

Establishing norms is also about that most American of pastimes, litigation. There have been a number of British court cases this decade where rejected job applicants have attempted to sue employers on the decisions they made using psychometric tests.

As Dr McHenry notes: "All this is important in the workplace, as older UK legislation about employment discrimination begins to bite and newer laws such as the Disability Discrimination Act are introduced. Employers who do not phase out US-based assessments may find themselves having to explain to an industrial tribunal why the US population of 20 years ago is a valid comparison group."

Providing good, up-to-date, national norms is essential. It does not provide any evidence for test validity but it does settle arguments about what and who is average.

The author is professor of psychology at University College, London

ACCOUNTANCY APPOINTMENTS

EUROPEAN MONETARY INSTITUTE

Vacancies in the Monetary, Economics and Statistics Department

The European Monetary Institute (EMI) was established on 1st January 1994 with its seat in Frankfurt am Main. The EMI's function is to strengthen the co-operation between its members, the central banks of the European Union, and to prepare for the establishment of the future European Central Bank (ECB). The EMI currently employs approximately 220 staff members and has its own terms and conditions of employment, including a competitive salary structure, pension plan, health insurance and relocation benefits. The EMI is looking for candidates to fill a number of vacancies as soon as possible in the Monetary, Economics and Statistics Department. Positions will be on a fixed-term contract basis and candidates must be a national of a Member State of the European Union.

Positions and Qualifications

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- Advanced degree in economics with a sound academic, research and publication record in applied economics, as well as extensive experience in policy analysis.
- Command of English, and ability to present research findings and address policy issues in non-technical terms. Working knowledge of other European Union languages is desirable.

Ref. MES/02-03/97

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- Econometric techniques particularly as applied to money market behaviour in EU countries combined with practical experience in the day-to-day use of monetary policy instruments and procedures.
- International monetary relations including the relations of EU countries with emerging or developing economies as well as a knowledge of the functioning of international economic and monetary institutions.

Qualifications

- Advanced degree in economics with a sound academic, research and publication record in applied economics, as well as extensive experience in policy analysis.
- Command of English and an ability to present research findings and address policy issues in non-technical terms. Working knowledge of other European Union languages is desirable.
- Familiarity with modern office equipment.

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- Command of English. Working knowledge of other European Union languages is desirable.

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- Experience in developing and managing both multi-dimensional and time-series statistical databases.
- Command of English. Working knowledge of other European Union languages is desirable.

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Research Analysts in the Economics Divisions

The main tasks to be performed are: creating, updating and checking databases of monetary and economic time-series data; producing tables and charts from statistical data; participation in the development and maintenance of software applications; and providing statistical support to the economists in their research projects. Candidates should also ideally be capable of assisting with the preparation of macroeconomic model simulations and familiar with techniques of econometric estimation. The environment includes spreadsheet (Excel), database (FAME and Access), graphic and econometric packages (notably RATS), and the NIGEM world macroeconomic model.

Qualifications

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- University degree in economics, statistics or related disciplines, or alternatively, equivalent experience.

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Applications should include a Curriculum Vitae and a recent photograph, references confirming the required experience and skills and, if possible, copies of (published or unpublished) papers or notes prepared by candidates. They should quote the appropriate reference number and should be addressed to the **European Monetary Institute, Personnel and Office Services Division, Postfach 10 20 31, D-60020 Frankfurt/Main** and should reach us no later than 31st December 1996. Applications will be treated in the strictest confidence and will not be returned.

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ARTS

Development in the Garden

Antony Thorncroft finds Vivien Duffield rattling the cash box for the Royal Opera House

Vivien Duffield is about to embark on a charm offensive. By next July she has set herself the task of raising £100m. No rich man or woman, no chief executive in the land is safe from a friendly touch, especially if they have ever shown a passing interest in the opera or the ballet.

For Duffield is heading the Royal Opera House Development Appeal. The arts lottery fund has contributed £78.5m towards rebuilding Covent Garden, making it servicable for the next century, but only on the understanding that the Royal Opera House provides the rest of the money for the £214m project.

An appeal was launched last week at a gala concert starring Placido Domingo, which raised £700,000. But Duffield needs more than tenors to reach her target. "I am pessimistic" she admits, only to quickly cheer up and affirm "we will have to find the money".

One thing she is adamant about: she will not plug any shortfall with more cash from her own fortune and from the trust set up in the memory of her father, property tycoon Charles Clore. It is well known that Duffield, along with Lord Sainsbury, has contributed the bulk of the £37m assembled before the appeal was launched. "We were waiting to get the new chairman (Lord Gummer) and the new chief executive (Genista McIntosh) in place before launching the appeal. Businessmen like to know who is running the show before they give money". There was also a delay in getting all the necessary building approvals from Westminster Council. Now construction is well under way.

There is not much time, so Duffield and her team of influential helpers are going hell for leather, with a blitzkrieg of breakfasts and lunches, many of them in the City. "I can think of five individuals who might each give £1m", she says, but most of the money should come from business, especially the 450 corporate friends of Covent Garden. It is in their interest to renovate the building, and it is hoped that many will give £500,000, which spread over five years and, with tax breaks, amounts to a viable £90,000 a year.

Duffield cannot offer too much in return, apart from the warm glow of knowing that their money has maintained London's position as a world centre of opera and dance: guaranteed seats in the refurbished auditorium; access to the royal box once a year; limited priority booking; entertainment opportunities in new, more agreeable, spaces; tickets for the closing and opening galas; and a part of the new building carrying a corporate or private name. "I've already found a backer for a disabled toilet" she says proudly. So far none of the dozen people Duffield has approached in the past week has given a categorical no.

One of her problems is that, unlike the international art lovers being tracked by the Tate in its £70m appeal for the new Tate Gallery of Modern Art on Bankside, she cannot expect foreigners to make much of a contribution. But in addition to the corporate friends, and the committed private individuals who are members of such groups as the Drogheda Circle and the Pointe Shoe Appeal, which provides dancers with new shoes, there are the 19,000 Friends of Covent Garden who will be approached, in time. Finally, the faithful audience will get a chance to contribute.

With her energy and enthusiasm Duffield may pull off her challenge. But if she does not there is a fall-back position. Some of the £100m is intended for a quasi-endowment, which will be used to keep seat prices down in the new house: Covent Garden is keen to lose its elitist image.

The money will come from the rentals of the commercial development which is part of the scheme. If things go badly this land could be sold off and the income sacrificed. If the surplus property is dropped from the plan Duffield only needs another £30m on top of the money already committed.

Duffield is also competing against other cultural icons – the Tate, the British Museum, Sadler's Wells – all seeking partnership funding to complete lottery aided projects. Then there is the Millennium Exhibition – "that's queered everyone's pitch". In addition Duffield has discovered that the current generation of business entrepreneurs is not as arts-loving as its predecessors. "We approached a hundred of the new rich and signed up only one new Friend".

In the meantime Covent Garden's supporters must be kept happy during its long closure, which starts in July and is expected to last 28 months. A full programme is being pencilled in for both opera and ballet companies, with appearances in New York, the Edinburgh Festival, the Barbican, the Festival Hall, Labatt's Apollo at Hammersmith, Sadler's Wells, Shaftesbury Theatre, plus regional touring.

But events can still thwart plans. The Royal Albert Hall last week chose to get into bed with English National Ballet rather than the Royal Ballet.

Duffield will more than earn her place of honour at the reopening gala for the Royal Opera House at the end of 1999. Even then her task is not over. She accepts that no government will ever supply enough money to keep Covent Garden at ease: there will always be the need for the lady rattling the cash box.

Joanne Pearce, Robert Glenister and Derbhle Crotty in the RSC's new production of Ibsen's 'Little Eyolf' Alastair Muir

Obituary

Marcello Mastroianni

The dark, aristocratic good looks of Marcello Mastroianni, who died yesterday aged 72, were always like to ensure him a comfortable niche as yet another screen lover in the grand tradition of Italian cinema; but it fell to his friend and mentor Federico Fellini to recognise the extra qualities which would bring the actor worldwide recognition.

Mastroianni was 35 and had already made 40 films when Fellini cast him as the jaded journalist in his notorious tale of contemporary Roman decadence, *La Dolce Vita*. The director had insisted on Mastroianni despite the film producer's preference for Paul Newman. He was richly repaid by a preformance which delicately balanced vanity, intelligence, fading beauty and ennui.

La Dolce Vita, released in 1959, was a key cultural launch pad of the 1960s, and Mastroianni came to symbolise both the decade's excesses and its fashionable air of self-disgust. In Michelangelo Antonioni's *La Notte* he played a successful novelist surrounded by beautiful women who failed to understand what they want of him; in Fellini's later *8½* he was the director/hero suffering a creative crisis while fighting off his admirers.

Mastroianni's under-stated passive performances in these key movies of the 1960s, which brought him to the attention of American audiences, led to the unfair assessment that he was doing nothing but "playing himself". His reputation as a lover of food and women did nothing to dispel his image of moral flacidity. "Mastroianni is a fellow who sees his tagliatelle or spaghetti and completely forgets he is doing a role," jibed the director Luchino Visconti early in his career.

But he remained a prolific worker throughout his life, starring in more than 120 films and winning two Best Actor awards at Cannes and an Oscar nomination for his role as a homosexual living in fascist Italy in *A Special Day*. He was also more versatile than he was given credit for, showing a sharp talent for comedy in *Divorce – Italian Style*, which he made in the same year as the bleak *La Notte*.

The son of a carpenter, Mastroianni was born in a small town near Rome. During the war he was captured and sent to a labour camp by German soldiers, but he escaped and lived in poverty in Venice until 1945. His first lead film role was in an Italian production of Victor Hugo *Les Miserables* two years later.

Mastroianni saved much of his best work for his later years, showing a winning capacity to parody his earlier screen persona and capturing the pathos of old age in Giuseppe Tornatore's *Everybody's Fine* and Nikita Mikhalkov's *Dark Eyes*. Earlier this year Mastroianni starred with his daughter Chiara in *Three Lives and only One Death*.

Peter Aspden

Theatre/Alastair Macaulay

Anguish on the outside

What happens to a married couple when their only child dies? In Ibsen's 1894 play *Little Eyolf*, the title character dies at the end of Act One; and he has already been a cause of tension between Alred and Rita, his parents. Acts Two and Three demonstrate – among other things – their various stages of anguish, guilt, despair and anger.

The play, seldom seen, is one of Ibsen's keenest and most modern. They soon find their own once-consuming love extinct, and they quietly, helplessly, lacerate each other. Did they even truly love Eyolf, or ever win his love? Why did they really marry? All this become uncertain. "What we call our grief," says Alfred, "is merely the gnawing of our consciences."

As always with Ibsen, recent events bring up past ones. Alfred reverts to his adoration of his sister Asta, who lives with them and has as yet been unable to make a life apart from them. Ibsen, in psychological mode, brings up a whole new vein of attraction between sister and brother that is partly the longing for lost innocence, but also near-incestuous; then, by means of a plot development, he complicates matters by setting their attraction in a non-incestuous light.

The chemistry between characters keeps changing, and we hang on each conversation because the real plot of the play concerns how characters think about each other. Finally, he leaves husband and wife alone together, hopeless, but nonetheless bleakly talking of starting their life anew. The real plot of an Ibsen play lies not in concrete events but in psychological development; and the real beauty too.

I want to succumb to Adrian Noble's new Royal Shakespeare Company production of this play. It is sensitive, intelligent, simple; and it is entirely concerned with revealing the play. There is no overlay of reinterpretation or of extraneous detail. The play, with its small cast (six actors) and intimate scale, suits the Swan Theatre very well; and Rob Howell's designs economically give us furniture and costumes of the late 19th-century against an acquamarine backdrop that suggests both the deep water in which Eyolf drowns and the gazing eyes with which he is said to gaze up from the seabed. In Act Three, Noble has Rita return to the stage, dishevelled, in an overcoat from whose pockets she removes stones, like some Virginia Woolf returning from the brink of suicide. And with Derbhle Crotty as Asta, and with Damian Lewis as the engineer Borghejm who courts her, the play breathes.

Joanne Pearce, returning to the stage as Rita, is an impressively accomplished actress whom, alas, I never believe. She has both variety and guts. As Rita, I admire her seamless range of vocal colour, her sparing deployment of memorable gestures, her authoritative pacing of dialogue. Her intense commitment, however, is, I find, full of contrivance; devoid of relaxation; and marked by numerous incidental misjudgments. And the great dynamic variety she displays is itself artificial: I'll do *mezza voce* here, *pianissimo* in chest register next, and then wow them with my unexpected (but brief) *forte*. The unfulfilled gesture to her husband with which she ends the play is overdone.

This contrivance rubs off on Robert Glenister, playing Alfred. It is a daring stroke, for example, to have him (and then Rita) *laugh* amid their grief, as he observes that neither of them ever won Eyolf's love; but not, here, credible. He is at his best with Crotty; and the production grows more spontaneous in their scenes together. In general, however, with both Glenister and Pearce, we observe only the external demonstrations of feeling, not the inner life of the nervous system itself.

In RSC repertory at the Swan Theatre, Stratford-upon-Avon. Sponsored by Allied Domecq.

Concert

Gallic charm

The trade in classical music across the Channel is by no means one way. While Britain is exporting a variety of orchestras both for single concerts and longer-term residencies, France can counter with one particular cultural asset from the land of luxury goods – the early music group, Les Arts Florissants.

No matter that it was founded and is led by an American, William Christie. The orchestra and choir of Les Arts Florissants have a peculiarly Gallic sensitivity – call it a wine taster's palate or an impressionist's eye – that sets them aside from comparable British groups, such as the English Baroque Soloists or the Orchestra of the Age of Enlightenment.

They have played some high-profile dates in Britain recently: a lavish production of Purcell's *King Arthur* at the Royal Opera House last year and Handel's *Semele* at the Proms – but this was their first French opera here for a while.

Not surprisingly, the stage works of the French Baroque are a speciality. A few years ago the group even managed a fully-staged production of Lully's extravagant *Atys*, but without a regal purse to offer financial support, concert performances have to be the norm, and that is what we had at the Barbican on Wednesday for Rameau's *Les Fêtes d'Hébé* – a rarity, if ever there was one.

The music certainly sets one's toes tapping, but that is because the piece is an *opéra-ballet*, which cries out to be danced as much as sung and played. Right up to the end of the 19th century French audiences liked to have a ballet divertissement dropped into the middle of their operas for light relief and *Les Fêtes d'Hébé* is a veritable operatic soufflé, with nimble-footed menuets, rigaudons and passepieds lifting every scene.

The dances are easily the best part of the score. They are full of inventiveness, bright-eyed, amusing, subtly-coloured, even sensuous, and Christie responded to them as to the manner born (his biography states he is now a French citizen). The rhythmic fluidity which can seem a touch soft-centred in Purcell or Handel is just right for Rameau and the famed "Musette en rondeau" was so chaste and seductive at the same time, it could have been by Ravel.

The singers are left with less interesting material, but Sarah Connolly delivered Iphise's big solo with more than early music good manners, Thierry Félix was a strong bass and Jean-Paul Fouchécourt made a character out of Mercury. A venue with more immediate sound than the Barbican would have been helpful, but that will not stop Les Arts Florissants coming back: they are already booked for a mini-festival next autumn.

Richard Fairman

Sponsored by Brandeis and Association Française d'Action Artistique.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Radio Kamerorkest: with conductor Ton Koopman, soprano Akie Amou, violinist Elisabeth Perry and viola-player Zoltán Benyacs perform works by Mozart; 11am; Dec 22

ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Daniel Chorzempa: the organist performs works by J.S. Bach, Mozart and Liszt; 8.30pm; Dec 22

BERLIN

CONCERT
Komische Oper Tel: 49-30-202600
● Christmas Concert: Kammerorchester der Komischen Oper: with conductor Florian Heyerick, soprano Anna Korondi, baritone Alexander Marco-Buhrmester and the Chor des Kinderstudios perform works by Hellendaal, J.C. Bach, Mozart and Telemann; 7pm; Dec 23
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Breslauer Kammerorchester Leopoldinum: with conductor Stefan Bevier and violinist Viktor Kuzniecow perform works by Vivaldi, Corelli and Manfredini; 8pm; Dec 23
● Weihnachtsoratorium (Cantates I-III): by J.S. Bach. Conducted by Karl-Ludwig Hecht, performed by members of the Berliner Orchester and the Knabenchor Berlin; 4pm; Dec 22

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Hänsel und Gretel: by Humperdinck. Conducted by Fabio Luisi, performed by the Staatsoper Unter den Linden. Soloists include Höhn, Priew, Trekel-Burckhardt, Nossek, Eisenfeld and Zettisch; 5pm; Dec 22, 23 (3pm)

CAMBRIDGE

EXHIBITION
Fitzwilliam Museum Tel: 44-1223-332900
● The Utagawa School: this exhibition is devoted to the pupils of the founder of the Utugawa School, Utugawa Toyoharu (1735-1814). The main specialities of the Utugawa school were actor prints and spectacular action scenes such as battles and wrestling matches. Artists represented include Toyokuni, Toyohiro, and their pupils Kunisada, Kuniyoshi and Hiroshige; to Dec 22

CINCINNATI

EXHIBITION
Taft Museum Tel: 1-513-241-0343
● A Christmas in Naples: exhibition of an 18th century Neapolitan nativity from the collection of Francesca P. de Olaguer Angelon. More than 75 figures with carved animals, baskets, wax fruits, and other tiny accessories tell the traditional story of Christ's birth; to Jan 5

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölsche Weihnachten: Ludwig Sebus and others perform Christmas songs; 8pm; Dec 21

OPERA
Opernhaus Tel: 49-221-2218240
● Neues vom Tage: by Hindemith. Conducted by Manfred Mayrhofer, performed by the Oper Köln. Soloists include Karan Armstrong and Andrzej Dobber; 7.30pm; Dec 21

LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Weybridge Male Voice Choir: with conductor Christine Best and soloists Angela Springett, Bridget Payne and Elizabeth Gardner perform traditional choral pieces, popular songs and Christmas music; 7.30pm; Dec 21
Royal Albert Hall Tel: 44-171-5898212
● BBC Concert Orchestra: with conductor Ian Watson and the King's Singers perform Christmas music; 7.30pm; Dec 23

OPERA
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Turandot: by Puccini. Conducted by Daniele Gatti, performed by the Royal Opera. Soloists include Sharon Sweet and Giuseppe Giacomini; 7.30pm; Dec 21

LOS ANGELES

CONCERT
Dorothy Chandler Pavilion Tel: 1-213-972-8001
● Los Angeles Philharmonic: with conductor Joseph Swensen and cellist Ronald Leonard perform works by Haydn; 2pm; Dec 21

MILAN

CONCERT
Teatro alla Scala di Milano Tel: 39-2-72003744
● Orchestra e Coro del Teatro alla Scala: with conductor Riccardo Muti perform works by Mozart, Verdi, Rossini, Vivaldi and Martucci; 8pm; Dec 23

NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Portrait Miniatures from the Collection of Her Majesty Queen Elizabeth II: 75 portrait miniatures from the British Royal Collection are included in this exhibition that explores the art of painted miniatures from its beginning at the hands of Lucas Horneboite and François Clouet to its final flowering in the Victorian era. Hans Holbein the Younger, Nicholas Hilliard, Isaac Oliver, Rosalba Carriera, and Jean Etienne Liotard are among the artists represented; to Jan 4

PARIS

EXHIBITION
Musée Auguste Rodin Tel: 33-1 47 05 01 34
● Rodin – Les Marbres de la Collection Thyssen: this exhibition features 6 marble sculptures by Auguste Rodin, commissioned by August Thyssen (1842-1926) in 1905 and 1908; to Jan 5
Musée d'Orsay Tel: 33-1 40 49 48 14
● Paul B. Haviland, photographe (1880-1950): exhibition featuring about 40 works by photographer Paul B. Haviland, a member of the Photo-Secession. His works include portraits, nudes and urban landscapes; to Jan 5

SAN FRANCISCO

EXHIBITION
M.H. De Young Memorial Museum Tel: 1-415-750-3600
● Beat Culture and the New America: 1950-1965: this exhibition examines the crosscurrents, exchanges and collaborations between poets, artists, musicians and filmmakers of the Beat movement, and includes painting, sculpture, film, installations, music and the spoken word. Sections are devoted to the three centres of Beat culture: New York, San Francisco, and Los Angeles. Artists represented include Willem de Kooning, Franz Kline, Larry Rivers, Robert Rauschenberg, Jim Dine, Allen Kaprow, Jess, Jay DeFeo, Wallace Berman, and others; to Dec 29

THE HAGUE

DANCE
Lucent Danstheater Tel: 31-70-3609931
● The Nutcracker: a choreography by André Prokovsky after Marius Petipa to music by Tchaikovsky, performed by the Koninklijk Ballet van Vlaanderen; 8.15pm; Dec 23

ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
● Oper Zürich: with conductor Christoph von Dohnányi and soloists including Stefania Kaluza and Cornelia Kallisch perform Stravinsky's Oedipus Rex and Bartók's Duke Bluebeard's Castle; 7.30pm; Dec 21

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10.00
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17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Fishy coincidence

John Major may find a curious similarity between his best shot for a polling date and the national interest

Britain's electoral clock is ticking faster than we thought. If he is smart, John Major will call the general election for March 20. This thought is offered without prejudice to the outcome. It gets harder by the day to imagine that a few weeks either way could reverse the tide carrying Tony Blair towards Downing Street. For all that, in his choice of polling day, Mr Major may find a curious coincidence between his own best shot and the national interest.

I draw this conclusion not because of the kerfuffle this week after the Conservatives were caught cheating in a parliamentary vote. For this small deceit the prime minister may eventually pay a heavy price. The morale of the Tory troops will become ever more wretched if Labour's withdrawal of co-operation keeps MPs locked up at Westminster. But mostly the episode told us what we knew. The government is dissolving into the chaos we saw last during the dying days of James Callaghan's Labour administration in 1979.

The more important fact for Mr Major was that he won the vote on the European fishing regime. This was the first real test since he lost his majority in the House of Commons. The Ulster Unionists, whose nine votes give them the balance of power, are playing cat-and-mouse with the prime minister. But for now these oh-so-upright Ulstermen seem content to sell him their support.

There was also the merest hint that the Tory Eurosceptics may find better things to do in the remaining weeks before polling day than to drive their stake deeper into Mr Major's heart. The Christmas break at least gives him a precious three-week breathing space.

From this, old hands at Westminster deduce he would do best to hang on until May 1. The last Labour government survived many more serious scrapes. If his parliamentary managers need any further tips on how to be devious, they will find plenty in the many volumes of political memoirs from the Callaghan era.

The prime minister bribed the Unionists this week with the promise of a few extra fish for Northern Ireland's trawlers. Peanuts. His Labour predecessor stumped up a gas pipeline and five extra parliamentary seats for the province.

There are conventional arguments for playing it long. The Budget tax cuts will not find their way into wage packets until April. The voters need more time to imbibe the feelgood factor. Incomes are buoyant, house prices rising, and inflation subdued. A fall in unemployment to below 2m has reminded us Mr Major cannot be written off entirely with the economy so strong. Waiting a few more months should win him some credit. Michael Heseltine, the high priest of economic determinism in politics, has a clutch of charts to prove it.

Then there is the planned advertising onslaught on New Labour. Vast swathes of the nation's poster sites have been booked from early January. Mr Blair's demon eyes will stare down at the voters from every road junction and railway station. Maurice Saatchi, the mastermind behind the blitz, will want time for his message to penetrate the electoral consciousness. If they are to return to the Tory fold, the voters must be thoroughly terrified by the alternative. And the now-ennobled Lord Saatchi is good at his job.

> The one certain prediction we can make about the forthcoming campaign is that it will be an unedifying spectacle

It all sounds pretty convincing. But Mr Major is a careful man. Before making up his mind, he likes to draw a line down the centre of a sheet of foolscap. Point-by-point the case for any particular course is weighed against the alternative. Applying the test to the election date, he should conclude he has nothing to gain from delay. The residual prospects of a Tory recovery will diminish over time.

Consider first the position in parliament. When a government has a majority it commands the initiative. It has the capacity to make the political weather. Remove that majority and it is forever on the back foot, obsessed with avoiding the late-night ambush which might bring it down.

As Denis Healey, the last Labour chancellor, says of those final months of 1979, the Callaghan government was paralysed by the threat of defeat. Transfixed by every House of Commons vote, it found it could never project a coherent strategy. The crises and compromises, and the multiplying indignities of clinging on drained its self-respect.

For Mr Major the threat is amplified many times by the Tory sceptics. They hold him hostage over Europe. The sceptics may be subdued now, but serious self-restraint is anathema to obsessives. Each week which passes in the new year will take the rest of Europe one step closer to a single currency. The enemies behind him at Westminster will not give up trying to force Mr Major to rule out any prospect of sterling joining the vanguard.

So the prime minister needs to break free from the prison of parliament sooner rather than later. As he proved in 1992, he is good on the campaign trail. The honest John tag has stuck. But the advantage is lost for as long as he relies for power on squalid manoeuvring in the House of Commons.

The winter weather and a new electoral register all but rule out dates in February and the first weeks of March. That leaves March 20, or, just possibly March 13. Another advantage will not have escaped the prime minister's attention. He faces a dangerous by-election in the vacant Wirral constituency. Defeat in this Tory seat would cast another pall over the general election. The by-election cannot be delayed until May 1, but Labour would find it hard to force a contest before March.

Put aside such partisan tactics and the national interest is equally obvious. Public confidence in politics is at its lowest ebb in the post-war era. The one certain prediction we can make is that the forthcoming campaign will be unedifying. Politicians have lost the confidence required for serious debate and, in the process, have forfeited the respect of the electorate. The sooner the campaign is over, the better for the miserable health of politics.

Mr Major would do well to acknowledge this wider interest. If he loses, the first draft of history will judge him on these next few months. Will he be hounded from office or will he depart after a dignified contest? Will he make the last serious choice of his premiership or will he hand the initiative to his opponents? I may be mistaken, but I have a hunch that Mr Major will make the right decision.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'); e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com . Translation may be available for letters written in the main international languages.

EU action on Burma sends right messages

From Mr Bill Jordan.

Sir, Last week in Singapore the World Trade Organisation renewed its commitment to core labour standards and agreed to carry on co-operating with the competent body to set these standards, the International Labour Organisation. The Slorc ruling military dictatorship in Burma, a member of the WTO, treats the ILO with contempt and has persistently and grossly abused the basic rights of workers, notably through forced labour on infrastructure projects aimed at increasing exports.

After thorough examination of extensive detailed reports of the practice of forced labour, the EU has concluded that it cannot continue to offer a tax break to Burmese imports into the European market. The Slorc declined an invitation to give evidence to the examination and refused to allow an on-the-spot investigation. The democratically elected leader of Burma, Aung San Suu Kyi supported the proposal to withdraw preferential treatment of Burmese imports. The measures taken by the EU will have zero impact on the EU job market and clearly have no protectionist purpose.

In these circumstances, the EU's action is the least that could be expected, is consistent with the ministerial declaration in Singapore and sends a message to the Burmese generals – and those companies that back its illegitimate usurpation of power – that business cannot carry on as usual.

Your editorial's ill-judged criticism ("EU and Burma", December 19) of the EU misses its target but delivers a slap in the face to the brave opponents of a heinous regime inside Burma and in exile. Furthermore, it damages your paper's advocacy of the goal of trade liberalisation by suggesting that tolerance of the intolerable is a necessary evil in pursuit of a global single market. The question of the relationship between adherence to core labour standards and the rules for international trade cannot be swept under the carpet, as the intensive debate on the subject in Singapore demonstrated. It would be preferable to take action on cases such as Burma in a multilateral framework, but as that is not currently available, the EU's move this week was constructive and skilful.

Since I have just returned from a Congress of Asian and Pacific trade unionists in the Philippines, I can also assure your readers that the EU's decision was welcomed by the representatives of 30m workers in that region who intend to make sure that the Slorc's strategy for competitiveness on world markets is not exported.

Bill Jordan,
general secretary,
ICFTU,
Bd Emile Jacqmain 155,
B-1210 Brussels, Belgium

Too much trust placed in the PSBR

From Mr Frank Blackaby.

Sir, Did the politicians at Dublin discussing a stability pact understand what they were doing?

Any serious student of economic policy knows that it is always a mistake to pick out some intermediate economic variable and elevate it to the status of an ineluctable objective. The public sector borrowing requirement (PSBR) is a case in point. It is badly defined; the line between the public and private sector is singularly indistinct, and indeed in many instances is of no economic significance. Further, the connection between variations in inflation and the variations in PSBR – say within the range of zero to 5 per cent of GDP in developed countries – is one of the worst validated correlations in modern economics.

There is a further old truth which should be resurrected. Savings and investment decisions are made by different groups of people: yet the nature of the economic system requires them at any time to be identical. It is perfectly possible, in normal, not necessarily recessional times, for the desired savings of the private sector to exceed that sector's desired investment by a wide margin. Then the government, if it wishes to maintain a high level of economic activity, must act as the "borrower of last resort". If it fails to do this, the equality between actual savings and investment is brought about at a lower level of output. The economy will continue for a long time to operate well below capacity, with high unemployment (the only good measure of spare capacity). That is what is happening in Europe now.

Frank Blackaby,
9 Fentiman Road,
London SW8 1LD, UK

The immeasurable value of advertising

From Mr John Wakely.

Sir, I read with great interest Winston Fletcher's article on justifying advertising spend, as I have spent much of the last two years trying to understand why nearly all UK consumer non-durable companies have performed so badly this decade ("Admen strive to embrace the appliance of science," December 16).

The answer I find is that at the onset of the last recession they all significantly cut back on advertising spend. Why, when in this age of improving quality, all a brand often has over its private label competitors is its intangible brand equity (although not so intangible that it can't be put on a UK balance sheet).

So why did these managements cut their life blood? Partly because few studies have provided a good link between advertising and profitability/stock price. In an up-coming report on the this matter I have had to source a study in the US from the 1970s. In contrast, nearly all advertising effectiveness studies have focused on the link with volume/market share – not exactly in the forefront of the minds of most accountancy driven CEOs/finance directors. Yet with Coca-Cola, having almost no tangible assets at all (relative to total assets), and being worth well in excess of $100bn, surely the power of advertising is obvious. But as it isn't exact or measurable it is the most abused expenditure in the UK.

A pity, since our advertising agencies often seem to be the most innovative in the world. Perhaps they have to be?

John Wakely,
executive director,
Lehman Brothers,
One Broadgate,
London EC2M 7HA, UK

Unnatural extension

From Ms Sarah Burton.

Sir, John Churchyard (Letters, December 16) is falling into a common trap when he asserts that genetic engineering is a natural extension of traditional cross-breeding methods. Cross-breeding takes place within (not between) species – ie cross-breeding different sorts of cows to encourage a certain facility for milk-production.

In contrast, genetic engineering involves the transfer of genetic material (DNA) between totally unrelated organisms. So, for example, genes from viruses, bacteria, animals have been inserted into crops. This circumvents the natural species barriers – crossing a line which nature would never cross. It also gives rise to unpredictable risks (like the creation of a soyabean which causes an allergic reaction to people who are sensitive to nuts). It is not surprising to find that genetic engineering can result in the unexpected production of novel toxins as well. It is the unpredictability of these outcomes that is most worrying.

Sarah Burton,
campaign director,
Greenpeace UK,
Canonbury Villas,
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Europa · Paul De Grauwe

An unbalanced agreement

The EU stability pact tips the balance too much against fiscal flexibility

When European Union member states come to formulate their fiscal policy after economic and monetary union, they will have to find a balance between two conflicting concerns.

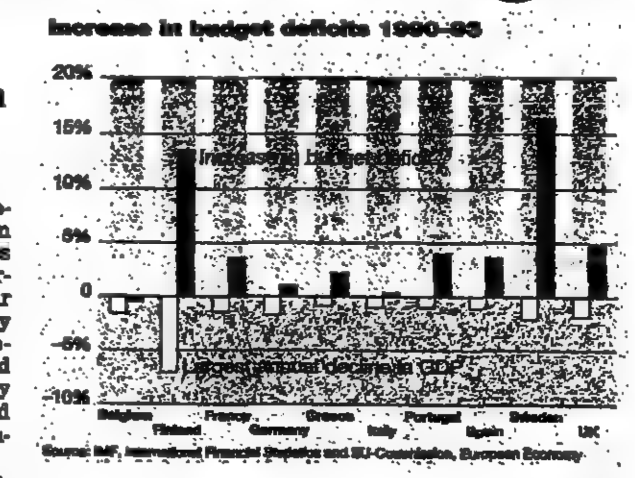
The first is the need to preserve flexibility in managing their economies in the absence of the option of adjusting exchange rates or any centralised European budget. Their national budgets are the only available instruments for dealing with unfavourable economic shocks. Under the single currency, therefore, member states will want to use national fiscal policy when confronted with recessions.

The second concern is the need to avoid spill-over effects from unsustainable national deficits and debts. If one member state runs up unsustainable debts and deficits, there is a risk it will default in the future that will inevitably have an impact on the financial system of the Union and other member states.

The stability pact agreed at last weekend's Dublin summit attempts to strike a balance between these two concerns. But the details of the agreement suggest the stability pact has been guided more by the fear of unsustainable debts and deficits than by the need for flexibility.

The agreement emphasises strict rules for government budget deficits, with automatic fines if deficits exceed 3 per cent of gross domestic product, subject to a limited number of exceptions and an element of political discretion. This creates a serious risk that the capacity of national budgets to mitigate recessions will be seriously hampered – intensifying the impact of those recessions.

Increase in budget deficits 1990-93



Source: IMF, International Financial Statistics and EU-Commission, European Economy

To see how much flexibility will be lost if the stability pact is applied, we should look back to the recession of the early 1990s and ask what would have happened if the stability pact had existed at that time.

The chart shows the increase of the budget deficits in the EU countries from their lowest to their highest levels during the recession of the early 1990s. (The timing of the recession is not the same in all the countries: the steepest decline in GDP occurred in the UK in 1990, in Sweden and Finland in 1991 and in the other EU countries in 1993.) It also shows the largest yearly declines in GDP reached during that recession.

The budget deficits of six countries – Finland, France Sweden, Spain, Portugal, and the UK – increased by more than 3 per cent during the recession. Some nations – Finland, Sweden and the UK – would have been able to invoke exceptional circumstances (a decline of GDP by more than 2 per cent during a year) and would have been spared a penalty.

The other three – France, Portugal and Spain – would not have been able to invoke these exceptional circumstances because the GDP decline never exceeded 2 per cent a year.

The chart also shows that increases in the budget deficit of more than 3 per cent of GDP are not uncommon during recessions – six of the EU countries experienced such an increase.

This suggests that countries inside the monetary union which want to avoid fines for having deficits greater than 3 per cent of GDP will need to run budget surpluses if they are to retain sufficient flexibility to use fiscal policy during recessions.

The lack of budgetary flexibility in recessions imposed by the stability pact will create a lot of tensions between national governments and European institutions – at two levels.

First, since countries will have limited flexibility to use fiscal policy in recessions, they will put strong pressure on the European Central Bank to relax monetary policies.

Paradoxically, a stability pact aimed at protecting the central bank from political pressure may in fact increase the likelihood of such pressure.

Second, when countries are hit by economic hardship, EU institutions will be seen as responsible for preventing the alleviation of the hardship of those hit by the recession. Worse, they will be seen handing out fines and penalties when countries are struggling with economic problems.

This will certainly not promote enthusiasm for European integration. On the contrary, it is likely to intensify Euroscepticism. All this looks like bad news for the project of economic and monetary union.

A more cynical appreciation of the stability pact, however, leads to the more optimistic conclusion that it is unlikely ever to be applied.

An often-overlooked detail of the Maastricht treaty is that fines can be imposed on member states only by a majority of two-thirds of the Council of Ministers (Article 104, c13). The stability pact has not affected this requirement at all.

As soon as fines are to be imposed, the two-thirds majority requirement will be needed whatever the size of the deficit and whatever the size of the drop in GDP. (From this perspective the classification of different declines in GDP is completely irrelevant.)

Looking at the chart, is it conceivable that such a majority will be found when so many countries face the same problem in a recession?

The answer is that the stability pact will then be a dead letter. But of course, the signatories of the stability pact know all of this.

The only reason it was signed, therefore, must be that the German government needed it for internal political purposes. If that is the price to pay for monetary union, it may not be such a high price after all.

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

FINANCIAL TIMES

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Friday December 20 1996

The jinxed Austrian bank

Creditanstalt, Austria's second biggest bank, appears to be jinxed. It was blamed for triggering the Great Depression when it collapsed nearly 70 years ago. Now a row over attempts to return it to the private sector are threatening to bring down the government.

Austria has done more than many of its bigger neighbours in privatising large parts of its state-owned economy. However, the six-year struggle to sell the government's 70 per cent stake in Creditanstalt have raised serious questions about Austria's willingness to embrace a free-market economy and ditch the old system of *Proporz* where the two main parties divvy up top jobs and influence over the economy.

Three bids are on the table. Bank Austria, the country's biggest bank, has offered the most money. A consortium led by EA-Generali, the Austrian arm of an Italian insurer, and First Austrian, the country's oldest savings bank, has offered less, but argues that its bid is a true privatisation since Bank Austria and its German and Italian partners are largely state-controlled. The third bid, from an Austrian retailer, is not taken too seriously.

The Bank Austria offer makes the best sense. It provides the government with the most money, keeps Creditanstalt in Austrian ownership, and offers the best scope for reducing the overcapacity in the banking system. The cost savings should improve the profitability of the combined institution which would rank among the top 30 banks in Europe. With a 25 per cent share of the domestic market, it would also be the strongest foreign player in the newly-developing banking markets of central Europe.

The disadvantages are that the acquisition would give Bank Austria a near monopoly in areas such as domestic investment banking and export finance, strain its capital ratios, and possibly dilute the value of the government's stake in Bank Austria which it wants to sell.

The People's party opposes the Bank Austria bid on the grounds that it gives too much power to a bank allied to Mr Klima's party. It prefers the EA-Generali consortium, ostensibly because it offers a pure private sector solution but more likely because it is politically closer.

Mr Viktor Klima, Austria's Social Democrat finance minister, should ignore such concerns and accept the highest bid – on the strict condition that the decision is followed by Bank Austria's own rapid return to the private sector. If Austria fudges this choice it will have lost its best opportunity to modernise one of Europe's most inefficient banking markets.

Mexico's pain

It is exactly two years since the peso devaluation in Mexico precipitated a financial crisis and a deep recession. The international markets bounced back surprisingly quickly from the shockwaves generated by the crisis; Mexicans, on the other hand, have yet to recover from the economic pain it caused.

Yet the devaluation has wrought important changes in Mexico, or at least accelerated those already under way.

It has rapidly advanced the opening of the economy in several ways. Exports, including those from Mexico's *maquila* assembly industries, now account for almost 30 per cent of gross domestic product, compared with 17 per cent in the first quarter of 1994. From being one of the world's most closed economies a decade ago, it is now among the most outward oriented in the world.

In particular, the devaluation has forced the opening of a number of sectors of the economy. This is most markedly the case in the troubled banking sector, where new foreign owners are beginning to compete for business. But it is also true in sectors as disparate as consumer goods, telecommunications and railways.

This development may upset nationalists, but if it encourages genuine competition, and brings in new technology and long-term capital to the country, it can only be welcome.

The economic crisis has accelerated change in the political system, too. Though President Ernesto Zedillo may not welcome it, it has encouraged the emergence of a genuine political opposition to his policies – as much within his own party as outside. It has also spurred the growth of civil groups, which have never had such as an important voice in Mexican society as they do now.

This complicates life for the government. It gives the appearance of weakness. It occasionally means that desirable government policies – such as the privatisation of petrochemicals, development of pension funds and electoral reform – are derailed or diluted.

Although the electoral rules are not as fair as they should be for opposition parties, next July's elections for Congress and, for the first time, for the mayoralty of Mexico City could lead to important opposition victories.

Mexico has not resolved all the problems which brought about its financial crisis in the first place. Its economic fortunes are still too dependent on foreign, rather than home-grown savings, and while its political system may be heading towards pluralism, that outcome is not guaranteed. Painful as the devaluation was, however, some good came out of it.

Ring of metal

The board of the London Metal Exchange has found itself in an extraordinary situation recently: on several occasions when it had to consider important matters relating to the operation of the market, almost all the board members were obliged to leave the room, because of conflicts of interest. The issues were dealt with by a small sub-committee of the chief executive and two others, one of them a co-opted independent individual. Later, board members complained that they were kept in the dark.

In its report on the LME yesterday, the Securities and Investments Board says this is not a good way to run a regulatory body. Indeed, it is not. So long as the board is effectively controlled by a rather old fashioned club of ring traders, public confidence in its regulatory functions will be in question.

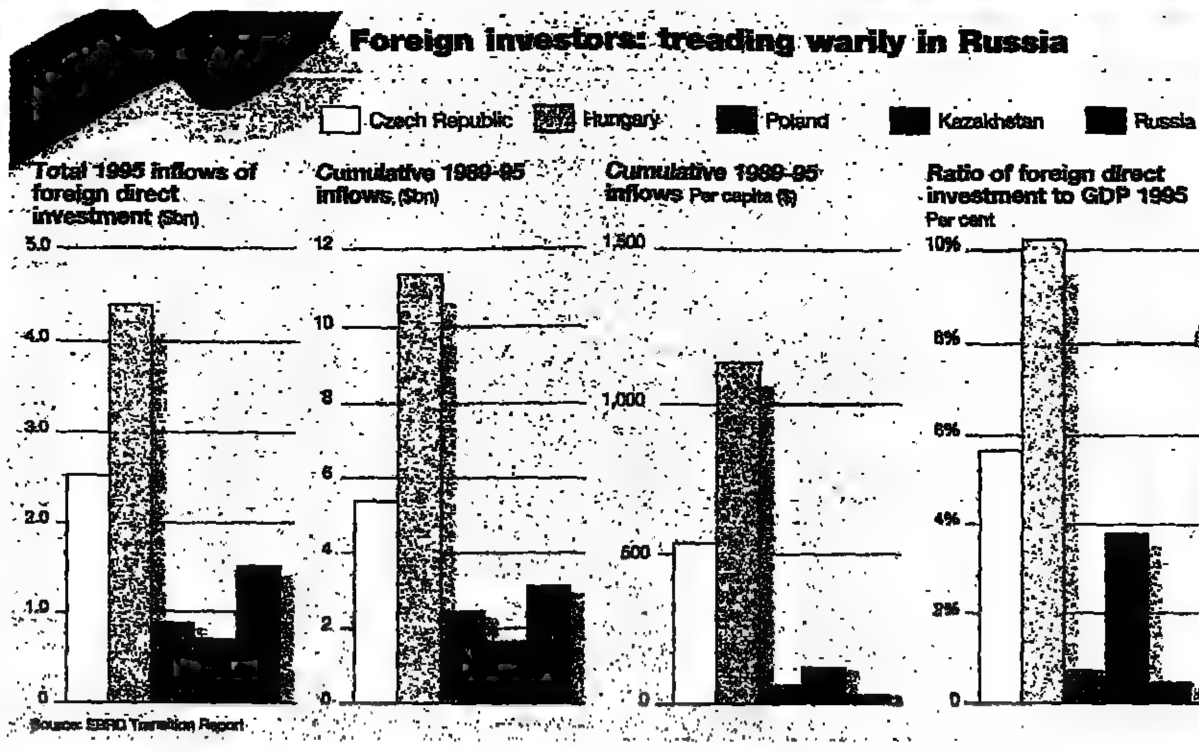
The SIB's investigation, which followed the loss of \$2.6bn by the Sumitomo Corporation from unauthorised copper trading, acquits the LME of contributing to this debacle. It suggests many detailed ways to make metals trading more transparent and the exchange more efficient. But many of these represent a tightening of existing procedures.

Taken together, such measures could substantially improve the information available to the market in relation to physical stocks, trading outside the ring and activities off the exchange altogether. The LME now also needs to review its procedures in relation to members acting as a proxy for customers, and to minimise the impact of large secret transactions on prices.

Such reforms may not go far enough. The SIB says it is not necessary to move to a system of clearing accounts in cash each day (as in the US). However, such a move might improve overseas confidence and also increase openness.

The LME itself is calling for new laws to bring all metals trading within the regulated market. This may in the long run be desirable, but first it must reform itself to ensure that its regulatory duties do not get mixed up with members' trading interests. The SIB has made some sensible suggestions. They include a reduction of the proportion of ring members on the board, an end to the dominance of ring members over all the committees, an increase in the number of independent board members and greater delegation to the chief executive and his staff.

Too often in the past members who broke the rules were merely ticked off. This is not enough. Offenders must be seen to be disciplined. And if the outside world is to have confidence in this, much of the supervision and surveillance needs to be done by a secretariat seen to be independent of those who are trading.



Source: EBRD Transition Report


Chevrolet's Blazer

Desperately short of fuel

The risks of operating in Russia make foreign companies reluctant to provide much-needed investment, says John Thornhill

History was made yesterday when the first Chevrolet Blazer four-wheel-drive rolled off the production line at the Yelabuga car plant in the republic of Tatarstan, in the industrial centre of Russia. For the first time a fashionably modern car, fully competitive in international markets, was assembled on Russian soil.

The plant is a \$250m (£150m) joint venture between General Motors, the giant US car manufacturer which has a 25 per cent stake, the Russian government and the government of Tatarstan. If all goes well production will reach 50,000 cars by 1998 – with 60 per cent of the parts made locally.

GM predicts enormous demand for its Blazers, which are a practical solution for drivers using Russia's pot-holed roads. *Dzhipi*, as they are known, have become an attractive status symbol for the country's new wealthy – and much sought-after by the car thieves that plague Moscow.

Such investments in Russia's manufacturing industry are desperately needed to reverse the precipitous decline in output, which has halved since reforms began in 1992. Foreign capital and knowhow are needed to help the country upgrade its technological and managerial skills.

It is little surprise that GM should be enticed by one of the world's last untapped but fast-growing car markets of 150m people. But perhaps the most striking feature of GM's investment is both the modest scale of its financial commitment and its rarity. A quarter-share in an investment of \$250m is tiny for a company which has an annual turnover of \$170bn – equivalent to about one-third of Russia's gross domestic product.

Like almost all other western car companies, GM is still treading warily in Russia five years after the country's capitalist revolution began.

According to the European Bank for Reconstruction and Development Russia attracted just \$3.1bn of foreign direct investment between 1989 and 1995. An additional \$2bn may have been invested this year, the bank believes.

Such figures are small in comparison with the sums invested in the tiger economies of south-east Asia, such as Indonesia and Malaysia. And they are small even in comparison with what has been invested in some central European countries – Hungary attracted \$11.5bn between 1989 and 1995.

The seemingly obvious explanation for foreign investors' hesitancy in Russia is that it is still too unstable a place to do business, teetering on the brink of political turmoil and economic crisis.

But serious foreign investors operate in many volatile regions and have largely discounted the sensational daily newspaper headlines. They are far more concerned with the mundane minutiae of tax codes, import tariffs and accounting standards, which more directly affect their businesses.

"The question to ask is not why more foreign companies are not entering the Russian market, but why the companies that are already here are not investing significantly more money," says Mr Peter Charow, head of the Moscow office of the American Chamber of Commerce, which has 350 local members.

"Foreign companies in Russia are already ahead of the curve and have the best perspective of the investment climate here. But very often their pragmatic answer is that there are still too many day-to-day operational risks in manufacturing here."

The list of foreign investors' concerns is long, and includes:

- A confiscatory tax regime – more than 150 taxes are applied with particular vigour to foreign investors.
- The difficulty of enforcing commercial contracts and property rights in the courts.
- Crime and corruption, which add to the costs and complexities of doing business.
- The hostility of local Soviet-era bureaucrats, whose poor understanding of how a market economy works can derail deals agreed at the federal level.
- The special trading privileges granted to importers with close contacts in the Kremlin.

Mr Charow cites the example of International Business Machines, which shut down a small assembly plant in Russia after it found that some of its distributors were able to import IBM computers duty-free and undercut the price of locally-produced models. "When you have such a skewed playing field it is no wonder you have skewed economic outcomes," he says.

There is certainly an understanding of many of these problems among the top echelons of the Russian government – and a professed determination to tackle them. Twice a year senior government ministers participate in the Foreign Investment Advisory Council, discussing ways to overcome barriers to foreign investment with 22 top executives from the world's biggest multinationals. Permanent working groups try to tackle their concerns in between times.

Mr Vladimir Kossov, deputy economics minister, says Russia's reformers have already achieved a great deal "with fantastic speed" by liberalising prices and privatising the vast bulk of industry. But he acknowledges that there are many outstanding issues to be resolved before Russia can claim to have created a truly open and competitive economy.

"Life is like a zebra. It is black and white in stripes," he says.

The principal challenge, he now claims, is to adapt the administrative and legal processes and mindsets forged in the Soviet era to the radically different demands of a market economy.

"We are not building our economy on a clean field as they built the capital of Brazil," he says. "One has to understand that we are building anew on what was already built before. To create the stable foundations for an orderly market economy is therefore many times more complicated than in any other country."

Nevertheless, Mr Kossov argues passionately that the government will keep its promises to improve the investment climate. And he highlights a series of recent initiatives.

For example, many of the privileges for favoured importers have already been abolished. A new tax code will broaden the tax base and simplify payments – although it is unlikely to be introduced until 1998.

A flawed production-sharing agreement for investment in the oil industry is to be reworked. This would provide a firm legal underpinning for investments in oil exploration and extraction and could unlock several vast projects estimated at \$60bn over the coming decades.

Moreover, the government has established investment offices in London, Paris, Frankfurt, Milan and Singapore to open the door to foreign investors and will soon move into north America and Japan.

But Mr Kossov says that while foreign investment will play a valuable role in upgrading the Russian economy it will always be marginal to the country's overall investment demands.

"Even if we reach our target and attract 10 per cent of the world's foreign direct investment flows, which would be wonderful, then this will still only account for a maximum of 20 per cent of our investment needs," he says.

One potential source of pressure for much-needed structural economic reforms ought to be domestic companies and banks investing in the Russian economy. But many Russian investors are adopting an even more bleak view about their own economy than most foreigners.

Central bank statistics show that Russian companies transferred billions of dollars abroad in the first six months of the year, presumably because of the political uncertainty ahead of the summer presidential elections. As a result, yields on the domestic Treasury bill market soared to more than 250 per cent, drawing investment away from the private sector and delaying economic recovery.

President Boris Yeltsin's re-election and successful heart operation have eased the worst political fears and bought the government time to press ahead with economic reform if it can muster the will.

Mr Vladimir Konovalov, chief economist at the World Bank office in Moscow, says that the overall success of the government's economic stabilisation programme – which could cut the inflation rate to 20 per cent next year – has created the basic conditions for recovery.

"It is quite possible that interest rates could fall to 20 per cent in rouble terms next year. That is the point at which investment projects become profitable. Investment will pick up over next year and you will see quite strong signs of growth," he says.

That recovery has already been anticipated by the stock market, which has more than doubled in value this year. This has allowed Russian companies such as Gazprom and Lukoil to raise finance on the international capital markets on relatively favourable terms.

Paradoxically, however, the willingness of international fund managers to buy Russian assets could tempt nationalistic industrialists into believing that they can revive the economy on their own.

Last year, for example, the government tried to entice a strong foreign telecommunications company into the Russian market by holding a tender for a 25 per cent stake in Svyazinvest, a holding company with stakes in 85 regional telephone operators.

Russian bankers and telecoms managers have since persuaded the government to drop this plan. They say they are now strong enough to raise money directly from international portfolio investors without handing over managerial control of strategic national assets.

Mr Lou Naumovski, head of the Moscow office of the European Bank for Reconstruction and Development, predicts foreign investment will gradually pick up in Russia as the economic climate improves and the bureaucratic barriers decline.

But he says Russia's lingering ambivalence towards foreign investors means that the country will never attract as much investment as it could and that the economy will not grow as fast as it should.

"Scratch Russians and the patriot in them will always say they prefer the domestic solution, even if to western eyes it takes longer and is less efficient," he says.

· OBSERVER ·

Smoking signals

■ Long criticised by doctors for not promoting public awareness of the dangers of smoking, the Hungarian government has again fallen foul of the medical establishment.

The local head of British-American Tobacco, Mark Jennings, has been awarded one of its highest honours. Jennings gets the Officers' Cross for his services to the Hungarian economy – the only national medal given to a foreign businessman this year.

Jennings runs Pecsi Dohanygyar, the biggest cigarette producer in a country with among the world's highest rates of smoking and one of its worst health records. More than one in three adults smoke – one reason why Hungarian men have among the lowest life expectancies in Europe.

No ministry has owned up to making the nomination but the award was approved by prime minister Gyula Horn, who is known for puffing BAT's Kent cigarettes through interviews. The office of president Arpad Goncz – a non-smoker who presented the award – says Jennings was chosen because Pecsi is a model plant and has done much to help local tobacco growers.

True, the company is also one of the country's biggest taxpayers, supplying the central government kitty with about 1 per cent of its total revenues this year. But Pesci doesn't export and BAT's direct investment in Hungary is small compared to the input of multinationals such as General Motors and Philips.

Guilded

■ It's 800 years since Henry II awarded them a royal charter, but the freemen of Newcastle – in the north east of England – are still an influential bunch. For one thing they control Town Moor, the 1,300 acre open space where the local ambitious football club now want to build a swanky new stadium.

The 1,000 freemen - emphatically all male - have either inherited the title or earned it as apprentices to a freeman carrying on the trade of his guild. Their chairman Len Fenwick – probably the only hospital chief executive to represent a shipwrights' guild too – says they are keeping an open mind on Newcastle United's proposal.

Losing a few acres of the moor wouldn't do any harm. Ground rent from the new stadium would go into a trust used to support dependents including widows and – a sign of the times – divorced daughters. Besides, grazing cattle on the moor is much more of a problem than it was in old King Henry's time. The freemen's staff are often called out nowadays to retrieve errant cows which have strayed into the city centre.

Pack leader

■ British Tories in the European parliament have resorted to a novel form of democracy. Forced to elect new leaders following the resignation of Lord Plumb, the MEPs have voted by a narrow margin of two in favour of pro-European Tom Spencer as leader of the tiny group. The other challenger was James Elles.

But a problem arose when it came to electing a deputy after James Moorhouse and Bryan Cassidy emerged neck and neck. The solution? Cut cards, of course. Moorhouse drew a queen. Cassidy followed – with a winning ace. The only snag is that Spencer now has a deputy who's decidedly more lukewarm than him about the EU.

In the pink

■ European gastronomes who like their veal white have a bone to pick with Douglas Hogg, the hapless British agriculture minister. Thanks to Hogg's pressure in Brussels on Tuesday night, from 1998 veal calves will be fed iron, which will give their flesh a pinkish tinge. Naturally veal-loving Italy voted against the change.

The talk in Brussels is that Hogg stands not the slightest chance of getting the British beef export ban lifted in time for the general election. Perhaps he is trying to gain votes as the champion of veal calves instead? What a man of the people.

I Spy

■ Advertising agency Bates Dorland has unveiled a huge poster for a London shop that caters for would-be spies, specialising in bugging devices and suitcases with false bottoms. Two arrows are spread across the billboard near Vauxhall Bridge: one pointing to the shop across the Thames, the other to the headquarters of security service MI6, which stands only fifty yards down the road from the giant poster.

In old days of the cold war the real spies would have run for cover. But not they seem to be taking a more relaxed attitude. The poster is a big joke at HQ. "We don't think this is disastrous," reveals one of Her Majesty's spies. "Everyone knows where our building is these days."

So how long before they get a big neon sign of their own?

The Financial Times

50 years ago

No New Chinese Currency
The recent weakness of the Chinese national dollar, which yesterday on the black market fell at one time to 6,500 C.N. dollars to one U.S. dollar, has revived the rumours of a new issue of currency. These rumours were officially denied by the Chinese Minister of Information in Nanking yesterday, when he described them as "absolutely unfounded."

Mission to China
The United Kingdom Trade Mission to China, after spending about two months in that country, arrived back in England by air yesterday. On arrival Sir Leslie Boyce, leader of the Mission, said: "Everywhere we went we found that the warm feeling which we in Britain have for China was reciprocated."

Qantas Empire Airways
Advertisement: "Qantas Empire Airways, the BIG name in Australian Aviation. Partner, with British Overseas Airways Corporation, in maintaining British air supremacy, Qantas operates modern air passenger and freight services from Karachi and Singapore to Sydney, on the England-Australia air route – and from Sydney to New Guinea – and Brisbane to Darwin. Qantas helps to make Australia a neighbour to the world."

FINANCIAL TIMES
Friday December 20 1996

Spain to approve final stage of Telefónica sale

By Tom Burns in Madrid and Nicholas Denton in London

The Spanish government will today give the go-ahead to the sale of its remaining shares in Telefónica, the national telecommunications operator, in what will be Europe's third largest telecoms offering.

The sale of the 21 per cent stake, which at yesterday's price would raise about Pta469bn ($3.58bn), should be completed by mid-February. The issue, on which Morgan Stanley is acting as global co-ordinator, will be Spain's largest single offering by a local company. It will start a year in which France and Italy are also expected to privatise their state-owned telecoms carriers.

Authorisation is also due today for Telefónica's purchase of a 23.7 per cent stake in Telefónica Internacional (Tisa), its international division, owned by the Sociedad del Patrimonio del Estado, a government portfolio company.

This Pta106bn deal will significantly enhance Telefónica's earnings. Tisa is the dominant foreign operator in the fast-growing Latin American telecoms market.

Like Deutsche Telekom's offering in November, the Spanish company will aim the equity sale more at small domestic investors. It is understood that about 60 per cent of the shares will be allocated to a Spanish retail tranche, with domestic and international institutions splitting the remaining 40 per cent.

The privatisation launch coincides with a sharp rise in Telefónica's shares. They closed yesterday at a record Pta3,005, up more than 80 per cent on the Pta1,637 issue price in October last year, when the state sold a 12 per cent stake.

Telefónica is due to lift its gross interim dividend by 16.7 per cent to Pta35 in January and analysts expect a total 1996 dividend of Pta90, up 18.42 per cent.

Telefónica's share price was given new impetus earlier this week when a consortium piloted by Tisa acquired 35 per cent of Brazilian operator CRT for $656m, narrowly beating a bid entered by Stet, the Italian telecoms group. It gave Tisa a strong foothold in the southern state of Rio Grande do Sul, where there is strong potential for corporate cross-border growth with Argentina and Chile.

Tisa is the dominant operator in Chile and Peru and has a strong presence in Argentina, Venezuela and Puerto Rico. Separately yesterday, it was announced that a stake in Portugal Telecom would be sold to one of the three global telecoms alliances, which include British Telecommunications' Concert group.

The Portuguese operator, which is advised by Deutsche Morgan Grenfell, said it would decide which by March and offer a symbolic stake, expected to be 2-4 per cent, to the winning bidder.

Turkey to highlight violations of rights by west

By John Barham in Ankara

Turkey, tired of attacks by international human rights campaigners, plans to turn the tables by publicising alleged violations in the western world, particularly Europe.

Mr Şevket Kazan, justice minister in Turkey's Islamist-led coalition government, said: "There is a negative atmosphere about Turkey. But now we will monitor human rights in Europe. The only thing Europe does is criticise Turkey, but from now on we will criticise Europe."

As an alleged example of how European governments violated citizens' rights, he said teenagers from violent homes could be separated from their families and interned until they reached 18. "During this time, they are not allowed to see their parents. There are about 600 cases of this," he said.

Mr Kazan said Moslems were not allowed to practise their religion freely in Europe. He said churches in Turkey were allowed to ring their bells but European mosques could not use loudspeakers to broadcast the call to prayer.

The government of Mr Necmettin Erbakan has pledged to improve respect for human rights. Turkey's Human Rights Foundation counted 59 extrajudicial killings, 166 "disappearances" and 171 deaths from torture between January and October. Many Turks feel the west is using human rights as a pretext for excluding Turkey from greater European integration.

Turks often say international campaigners employ double standards by "allowing" the slaughter of Moslems in Bosnia or Chechnya and ignoring the ferocity of Turkey's 12-year war against Kurdish separatists.

Like his secularist predecessors, Mr Kazan said Turkey was fighting terrorism. "The Council of Europe does not show any interest when Kurdish men and women, soldiers, teachers were killed" by the Kurdistan Workers' party (PKK).

Mr Erbakan says Turkey's European critics are under serious misapprehensions: "Turkey is the most important country in the world in terms of its contribution to peace and stability. Western delegations coming to Turkey ignored this fact for years and always kept the Kurdish problem and human rights issue on the top of the agenda."

And where, Mr Kazan asks, "does the PKK obtain its weapons, where does its money come from? Europe is behind the PKK. From now on we will demand some answers".

Regulator seeks changes at London Metal Exchange

By Kenneth Gooding in London

The Securities and Investments Board, the UK financial watchdog, yesterday called for substantial changes in the operations of the London Metal Exchange following the Sumitomo copper scandal.

But it endorsed the LME's unique trading methods and rejected calls, particularly from the rival New York Mercantile Exchange, or Nymex, for wide-ranging reform.

The SIB suggested the exchange's board be re-organised to prevent potential conflicts of interest and better represent the membership. It said most of the powers were held by too small a group of members called "ring-dealers".

The SIB said the LME executive should be given more authority, employees and other resources. It also called for the exchange to provide more information about its warehouse stocks, options trading and prices reached between members dealing outside the formal trading area or Ring.

But Mr Neal Wolfkoff, executive vice-president of Nymex, said: "The recommendations are welcome but are purely cosmetic. It takes a 19th century club and turns it into a 20th century club – it has not got to the fundamental issues.

"I could not imagine the Commodity Futures Trading Commission [the US regulator] issuing such a report had Sumitomo happened here."

Mr David King, LME chief executive, estimated the number of employees, at present 44, would have to be increased by about 20 per cent. He said any changes to the LME's governance structure would have to be agreed by all exchange members.

However, more information about warehouse stocks could be provided as soon as next April, and possibly daily rather than twice a week.

Sir Andrew Large, SIB chairman, said: "There clearly is a high level of confidence in the LME otherwise people would not use it to the extent they are at present. This is a package of measures designed to underpin that confidence and make it more difficult for events like the Sumitomo affair to happen.

"The commercial business of the LME has grown very fast and regulatory standards generally are rising. The executive of the exchange needs more people in its regulatory role and that will cost money."

The LME invited the SIB to review its operations after Sumitomo, the Japanese trading house, claimed in June that its senior copper trader, Mr Yasuo Hamanaka, had lost $2.6bn in unauthorised trading.

The review cost about £750,000, most of which will be paid by the exchange.

Mr Raj Bagri, LME chairman, said yesterday said the exchange would implement all of the SIB's suggested changes as quickly as possible.

See Lex; LME urged to publish more data, Page 10

THE LEX COLUMN

Sleeping beauty

So far as it goes, Elf Aquitaine's decision to put its FFr27bn ($5.2bn) stake in Sanofi up for grabs makes compelling sense. At the very least, the pharmaceuticals and beauty products maker will now be able to participate in the industry's consolidation. One much talked-about possibility would be a merger with a French competitor. But given the political constraints on cost-cutting in France, a better solution would probably be one which addressed the weakness of Sanofi's distribution network in the US. In practice, this would mean merging with a large international drugs group such as Bristol-Myers Squibb, which already markets Sanofi products in the US – always assuming that Rhône-Poulenc, the obvious candidate, is genuinely not interested.

FTSE Eurotrack 200: 1926.6 (+10.7)

Elf/Sanofi

One potential fly in the ointment, however, is Elf's desire to retain a big stake in the merged company. This could easily limit Sanofi's options. And it makes little sense on its own terms. Whatever the strengths of Elf's management, expertise in perfumes and healthcare is surely not among them. Moreover, there are compelling valuation arguments for pulling out of pharmaceuticals altogether. Sanofi's aggressive rating – its shares trade at 25 times this year's estimated earnings – gets precious little recognition in Elf's share price, which is on a multiple of only 14 times. By concentrating on its core business, Elf could crystallise the implicit hidden value. To substantiate its much-vaunted commitment to its shareholders, it must.

Diamonds

Having cheated on their old sales agreement and stalled on a new one, Russia can hardly have been surprised that De Beers' patience finally snapped. Indeed, the Russians left it little choice. A consistently high level of Russian diamonds has seeped on to the market outside of the Central Selling Organisation, the De Beers-controlled cartel. Worse, the Russians had been cherry-picking – keeping the quality gems while passing the lower quality stones to De Beers.

While De Beers' decision to stop guaranteeing payments for Russian diamonds was necessary, it should not be mistaken for a victory. Both parties are losers; the question is which loses most. Russia's diamond tsars have long maintained they can flourish outside the CSO. That boast will now be put to the test. Not only will the Russians lose a guaranteed stream of income but they will also find raising finance is harder without the sales agreement.

The damage to De Beers will occur because buying stones on the open market instead of by contractual agreement will involve paying middlemen and so depress margins. But given that De Beers has been mopping up seepages of Russian diamonds for years anyway, the damage should be limited. It may be that, with mind concentrated, Russia will return to the fold. But, for the time being, with Australia already departed, the market is left to contemplate a cartel shorn of two of its largest producers.

LME

Mr Yasuo Hamanaka traumatised the copper market and cost his employers, Sumitomo Corporation, $2.6bn. But his actions did at least prompt an overdue appraisal of the way the London Metal Exchange operates. The LME commissioned yesterday's report by the Securities and Investments Board to obtain a clean bill of health from an independent body. In large measure, that is what it has got. Most important, the SIB found that that there was no systemic risk arising from some of the LME's more controversial practices, notably non-cash clearing, offering credit and non-segregation of funds.

But there are no grounds for complacency; the SIB did recommend 38 separate improvements the LME could make. Mostly these involve improved monitoring, greater transparency and less clubbishness. All have a common root: the LME appears to have been so commercially successful, growing by 700 per cent in eight years, that necessary changes to the way it conducts itself were simply left behind. The improvements will cost money, but it will be a price worth paying to augment confidence in the integrity of the LME. Anyway, the LME should recognise that the SIB has struck a fair balance between improved oversight without compromising the LME's commercial viability. Of course, not even the best efforts of exchanges and regulators can prevent all Sumitomo or Barings-style episodes. The best disincentive will always be tight controls within companies and a corporate culture which discourages macho trading.

GKN

The award of $398m damages against GKN rams home the legal risks of doing business in the US. The issue is not so much that the case went against GKN; it is rather the way that comparatively small alleged transgressions can lead to extraordinarily high damages. The source of the problem is that Meineke, a GKN subsidiary, allegedly overcharged its franchisees $31m on advertising commissions over a decade. But this figure is multiplied 13-fold, after adding in compensation for loss of profit, interest and punitive damages. If the US court applied the maximum "triple" damages formula – something still possible – the damage would be $554m, or 18 times the disputed commission. All this for a business with sales of only $30m.

The surprise is that GKN's share price only fell 3.4 per cent. Given that the judgment came out of the blue – the company had previously said the action was not material – one might have thought GKN's market capitalisation would fall by $398m, equivalent to 6.5 per cent. One rationalisation for the more modest fall is that a $398m loss will cut GKN's earnings by only 3 per cent. If, indeed, this is the reason, the logic is pretty odd. Such a hefty loss will crimp, though not eliminate, GKN's ability to make potentially value-enhancing acquisitions. And if the group did not really need the $398m, it could have distributed it as a special dividend. Unless investors hope the judgment will be reversed or diminished, a bigger drop in the shares would be appropriate.

Sanofi offer

Continued from Page 1

Monsanto – and been rebuffed.

A cash takeover of Sanofi could prove expensive. Its share price has doubled in the past year, driven largely by the prospects for its new drugs, giving the company the highest price-earnings ratio among large drugs companies.

Germany money targets

Continued from Page 1

a united Europe". The M3 target also provided adequate liquidity for continued economic recovery.

Several economists had argued for a two-year approach by the Bundesbank to minimise confusion in the period before it was eclipsed by the ECB. They said there was a danger that setting the M3 target in December 1997 would be accompanied by market speculation and political pressure.

The Bundesbank's action is designed to make the transition to Emu as smooth as possible by stressing its commitment to stable monetary policies and its determination to see these continued once the single currency is created.

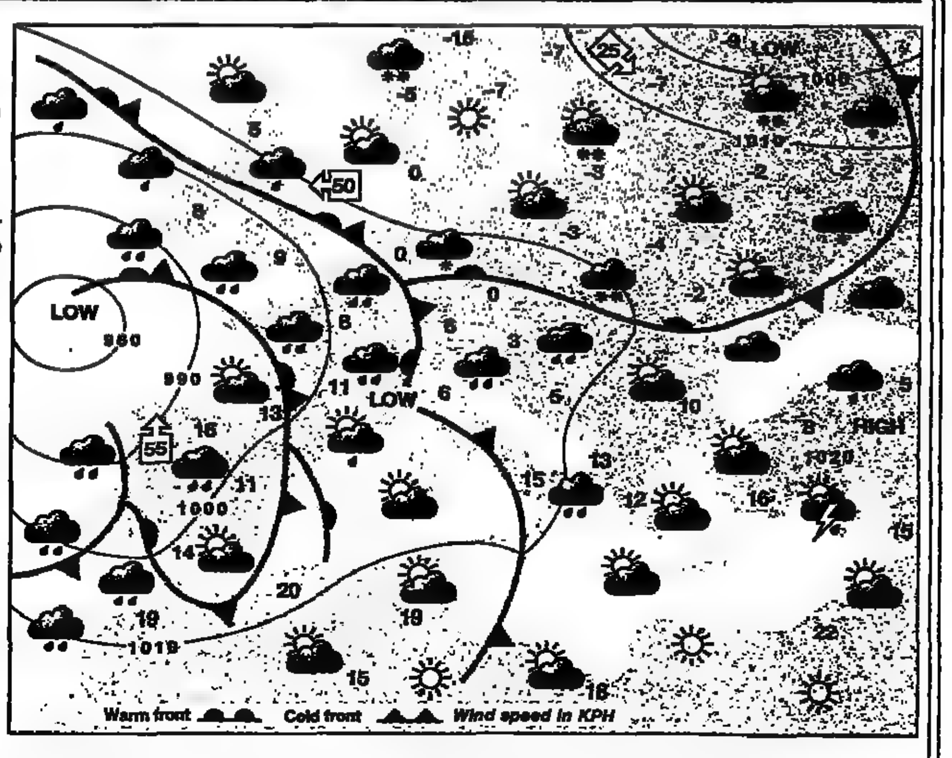
FT WEATHER GUIDE

Europe today

A band of cloud and rain will linger over England, the Benelux and move into Germany, Poland and the southern Ukraine. From Germany to the east, the rain will change into snow. These unsettled conditions are developing between cold air over Scandinavia and mild air over France and the Alps. North of the line between the fronts, temperatures will stay below freezing. Farther to the south, it will stay rather mild. France and the Alps will also be cloudy with rainy periods. The Iberian peninsula will stay unsettled as will Italy and the Balkans. South-eastern Europe will have sunny periods, with scattered showers in southern Turkey.

Five-day forecast

Cold but mainly dry conditions will continue over northern Europe. The UK will not be as cold and will also become mainly dry. The boundary between cloud and rain will linger over France and the Alps. Northern Italy and the Iberian peninsula will still be changeable.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	sun 5	Caracas	fair 30	Faro	rain 15	Madrid	rain 10	Rangoon	sun 32
		Belfast	rain 7	Cardiff	rain 8	Frankfurt	rain 6	Majorca	fair 17	Reykjavik	cloudy -2
Abu Dhabi	sun 25	Belgrade	fair 7	Casablanca	shower 20	Geneva	rain 9	Malta	shower 17	Rio	fair 27
Accra	shower 32	Berlin	snow -2	Chicago	fair -6	Gibraltar	rain 14	Manchester	rain 7	Rome	shower 17
Algiers	sun 21	Bermuda	thund 24	Cologne	rain 6	Glasgow	cloudy 5	Manila	cloudy 29	S. Frsco	fair 14
Amsterdam	rain 3	Bogota	shower 20	Dakar	sun 28	Hamburg	cloudy -1	Melbourne	fair 23	Seoul	fair 3
Athens	fair 15	Bombay	fair 32	Dallas	sun 12	Helsinki	cloudy -7	Mexico City	cloudy 20	Singapore	rain 31
Atlanta	sun 2	Brussels	rain 6	Delhi	sun 24	Hong Kong	fair 19	Miami	rain 17	Stockholm	fair -6
B. Aires	fair 31	Budapest	rain 4	Dubai	sun 27	Honolulu	shower 29	Milan	rain 6	Strasbourg	rain 7
B.ham	drzzl 7	C.hagen	fair 0	Dublin	rain 8	Istanbul	fair 14	Montreal	snow -3	Sydney	fair 24
Bangkok	fair 33	Cairo	sun 22	Dubrovnik	rain 14	Jakarta	thund 28	Moscow	snow -7	Tangier	shower 18
Barcelona	cloudy 14	Cape Town	sun 27	Edinburgh	cloudy 4	Jersey	rain 8	Munich	sleet 3	Tel Aviv	sun 21
						Karachi	sun 28	Nairobi	thund 25	Tokyo	fair 12
						Kuwait	sun 24	Naples	shower 15	Toronto	snow -5
						L. Angeles	sun 22	Nassau	thund 24	Vancouver	rain 6
						Las Palmas	sun 25	New York	fair -1	Venice	rain 7
						Lima	fair 24	Nice	rain 15	Vienna	rain 3
						Lisbon	rain 15	Nicosia	fair 17	Warsaw	fair -2
						London	drzzl 9	Oslo	fog -4	Washington	fair -1
						Lux.bourg	drzzl 5	Paris	drzzl 7	Wellington	rain 21
						Lyon	shower 10	Perth	fair 31	Winnipeg	cloudy-12
						Madeira	rain 21	Prague	snow 0	Zurich	rain 7

FINANCIAL TIMES
COMPANIES & MARKETS

Friday December 20 1996 Week 51

IN BRIEF

Philip Morris bid wins Tabaqueira

Philip Morris, the US cigarette maker, won a controlling 65 per cent stake in Tabaqueira, Portugal's state-owned tobacco company, with a bid of Es33.15bn ($211.6m). This defeated higher bids by Tabacalera, the Spanish group (Es36.46bn), and Seita of France (Es31.2bn). Page 22

Budvar takes lid off US rival's offer
Budějovický Budvar, the state-owned Czech brewery, claimed the moral high ground in its battle over the Budweiser trademark with Anheuser-Busch of the US. The fight could be an expensive battle for the hearts and pockets of beer lovers worldwide. Page 23

South American car boom continues
Another milestone in the breathtaking revival of South America's car industry in the 1990s will be passed when president Carlos Menem of Argentina opens Fiat's new $600m car plant in Cordoba today. GM and Volkswagen's Audi subsidiary announced big spending plans for Brazil recently, while Chrysler is also to invest in Cordoba. Page 24

Samsung shake-up pleases investors
Shares in Samsung Electronics, the world's biggest producer of memory chips, rose 7.2 per cent to Won49,600, after the company's president was replaced in its biggest ever management reshuffle. Page 24

Asda to expand war on price fixing
Asda, Britain's fourth-largest supermarket chain, hopes to repeat its success in breaking price-fixing arrangements on books and drugs with a series of campaigns on other products next year. The group also announced a 15.8 per cent jump in pre-tax profits before exceptionals to £160.1m ($267.36m) on sales ahead 13.5 per cent to £3.45bn. Page 26

Airtours in $302m Italian cruise line bid
Airtours, the UK-based tour operator, and its largest shareholder Carnival Corporation have offered L452bn ($302m) for Costa Crociere, the heavily indebted Italian cruise line, in a move to increase its share of the Mediterranean market. It is the two companies' first joint action since Carnival, the largest US cruise line, took a 29 per cent stake in Airtours in April. Page 27

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AA & MU Bet	1000	+	40
Hagen Batt	275	+	25
Victoria Hld	1350	+	75
Falls			
Gea Vzas	430	-	48
Porsche AG	1220	-	55
Hornbloger	300	-	10

NEW YORK ($)			
Rises			
Dean Foods	29	+	2⅜
Fila Hlgs	65⅜	+	6
Nike Inc B	60⅞	+	5⅛
Falls			
Frontier	21	-	1½
LCI Intl	21⅛	-	4⅛
Trigen Egy	27¾	-	1⅛

LONDON (Pence)			
Rises			
Airtours	797½	+	50
Br Borneo	717½	+	46
Huntleigh	300	+	20½
Manchstr Utd	641½	+	26½
Falls			
Aspen Comms	90	-	15
Rank Grp	415½	-	25½

TORONTO (C$)			
Rises			
Bnk Montreal	42.1	+	1.45
Getchell Gold	58.0	+	3.0
Teleglobe	38.25	+	1.5
Falls			
Third Can Inv	17.2	-	0.8
Bi Eco Logic	5.2	-	0.7
First Austral	13.6	-	0.85

PARIS (FFr)			
Rises			
Docenter	3277	+	157
Comptoirs Mod	2844	+	138
Sodexho	2757	+	138
Falls			
Strasb Mars	6830	-	80
Lloyd Cont	6930	-	370
Sofragi	4070	-	185

TOKYO (Yen)			
Rises			
Chiyoda Fibt	510	+	28
Fuji Denki	1050	+	50
Kaneka Corp	645	+	25
Falls			
Ines Corp	1510	-	200
Tokyo Dome	2170	-	140
York Benimaru	3030	-	300

HONG KONG (HK$)			
Rises			
Hutchison	59.0	+	1.25
Sun Hung Kai	82.0	+	1.25
Wharf Hldgs	37.8	+	0.8
Falls			
Smartone Tele	14.35	-	0.85
Wkinsy Ent	2.0	-	0.45
YGM Trading	9.4	-	0.5

BANGKOK (Baht)			
Rises			
Pakpanting	27.5	+	2.5
Poonpipat Fin	22.0	+	1.75
Saptini Pub	34.0	+	2.6
Falls			
Bangkok Ins	348.0	-	28.0
Bank Ayudhya	67.0	-	5.5
Securities 1	100.0	-	11.0

New York and Toronto prices at 12.30pm.

Swissair shares drop by 5%

National airline warns it is facing second year of losses

By William Hall in Zurich

Shares of Swissair fell by more than 5 per cent yesterday after Switzerland's national airline warned it might make a loss for the second year running and announced a corporate reorganisation that fell well short of market expectations.

Mr Philippe Bruggisser, who takes over as chief executive on January 1, said that until the end of September the group's operating results were "slightly better" than last year's.

However, the airline division had suffered a "deeply disappointing" October, caused largely by a lower than expected growth in traffic and a steep rise in kerosene prices. November traffic figures were 13 per cent up on last year, but higher fuel costs and lower passenger yields meant results were lower than anticipated.

Group operating profits now look likely to fall below last year's level. If Swissair decides to write down the value of its investment in Sabena, its loss-making Belgian affiliate, Swissair could be in the red for the second year running.

Swissair's shares, which have been volatile, fell by SFr62 ($46.60) to SFr1,025 yesterday.

The stock market reaction to yesterday's news underlined what is expected from the new management team led by Mr Bruggisser. Some analysts had been hoping that Mr Bruggisser would take action to increase shareholder value by floating off part of its highly successful airline catering business, or even announce a merger with a bigger airline such as Lufthansa.

In the event, Swissair announced the formation of a new parent holding company to be called SAirGroup. It will own four operating divisions: SAirLines (the airline), SAirServices (ground handling and other services), SAirLogistics (cargo) and SAirRelations (catering, hotels and retail travel). The latter will be the biggest part of the group, employing 15,000 staff, compared with 9,000 in the airline.

The changes in the articles of association, which require the approval of the Swiss government, will give the group substantial flexibility to enter strategic alliances or divest units. The group, which spent SFr3m ($2.3m) on its new name, said it wanted the world to know it was more than just an airline.

However, it insisted that flying would still be the group's core business and would not be any less important in the new organisation.

The airline will still fly under the Swissair banner and Mr Bruggisser said yesterday's announced SFr300m-SFr400m order for nine new Airbus A330-220 aircraft "underlined its commitment".

The new additions will increase capacity by a third and consume 25 per cent less fuel.

Chinese airline prepares for global listings

By Tony Walker in Guangzhou

China Southern Airlines, China's fastest-growing airline, expects to proceed with its much-delayed stock market listings in New York and Hong Kong in the new year.

Mr Li Yongzhen, deputy director of China Southern's privatisation office, said Beijing was studying a draft of its proposals before giving its approval. Listing documents would go in the new year to the Civil Aviation Administration of China, the industry watchdog, and the China Securities Regulatory Commission.

Mr Li indicated that 25-30 per cent of the Guangzhou-based airline would be offered to international investors, although a final decision had yet to be made. China has put a limit of 35 per cent on foreign ownership of its airlines.

China Southern is seeking funds for an ambitious expansion programme. Its investment in a fleet mainly consisting of Boeings stands at about $1.2bn with another $700m of aircraft on order, including 17 Airbus 320s. It hopes to raise $200m-$300m internationally.

The airline is expected to tap the international market after China Eastern, its Shanghai-based sister carrier, lists in Hong Kong and New York. Morgan Stanley is advising China Eastern on its initial public offering. Goldman Sachs is assisting China Southern.

The two airlines, set up in 1993 when China restructured its aviation industry, have been seeking government approval since 1994 for overseas listings.

Concern about a weak market response and complex regulatory issues have delayed final approval. Mr Li was confident China Southern would receive a favourable reception, despite negative investor reaction last year to the listing in New York of Chinese power companies.

"Investors are not very familiar with Chinese power stations, but institutional investors are much more familiar with airlines," he said.

China Southern made Yn510m ($61.4m) in pre-tax profits in 1995 on turnover of Yn8bn. Profits this year are expected to match last year's.

Rhône-Poulenc and Merck announce plan to create sector's largest company

French and US groups to link on animal health

By David Buchan in Paris and Daniel Green in London

Rhône-Poulenc of France and Merck of the US yesterday announced plans to pool their animal health businesses in a joint venture with annual sales of $1.7bn – which would be the world's largest in this sector.

The two companies signed a letter of intent to create the 50/50 venture which, following regulatory approval in Europe and the US, would start operating under the name of Merial in the second quarter of 1997.

Merial will bring together the veterinary activities of Rhône Mérieux and Merck AgVet which will also contribute their respective poultry genetics businesses ISA and Hubbard. Rhône-Poulenc's shares closed up 1.06 per cent at FFr167.70 and Merck was up $2⅝ at $79⅞ at midsession. J.P. Morgan acted for Merck and Bear Sterns for Rhône-Poulenc, headed by Jean-René Fourtou who last month ruled out a demerger of the group's chemicals and healthcare businesses.

Announcing the plan in Paris, Mr Igor Landau, managing director at Rhône-Poulenc, said Dr John Preston, the current president of Merck AgVet, would be Merial's chairman for an initial period of two years. Mr Louis Champel, current chief executive of Rhône Mérieux, would be chief executive, but would combine both roles after two years, Mr Landau said.

To avoid accusations of one nationality dominating, Mr Landau said the Franco-American venture would have its headquarters "in some neutral country", but would continue to focus activity in both Lyon and New Jersey.

He said there would be synergies in marketing and cost reduction, but claimed there would be few redundancies because Rhône Mérieux's strength in Europe, Asia and Latin America would complement that of Merck in the US.

The deal is the latest in a series for animal health companies as chemicals or pharmaceuticals groups seek to create large businesses out of a fragmented and regionalised sector.

In September, American Home Products paid $449m for the animal health business of Belgian chemicals company Solvay, and two years ago, Pfizer of the US paid $1.45bn for SmithKline Beecham's business in the same area.

The latest deal would concentrate much of the world's animal health business in the hands of a few companies, also including Switzerland's Novartis and Eli Lilly of the US.

Jean-René Fourtou, chairman of Rhône Poulenc, last month ruled out a demerger of the group's chemicals and healthcare businesses

Spanish banks move into Venezuelan private sector

By David White in Madrid

Spain's two leading banking groups, Banco Santander and Banco Bilbao Vizcaya, yesterday continued their race in Latin America by buying into the two top private sector banks in Venezuela.

Santander paid $338.4m for a 90 per cent stake in the number two institution, Banco de Venezuela, which was up for auction. Shortly afterwards, its rival announced it was buying a 40 per cent stake in the larger Banco Provincial, taking the shares from Crédit Lyonnais of France, and part of the holding of Polar, the Venezuelan food and financial group.

BBV said it would exercise management control, and with Polar would have about 65 per cent of the bank. The operation, involving a fundraising, would mean pumping in about $300m. Banco Provincial has 245 branches, a 22-24 per cent market share.

For both Spanish groups, it is the first move into retail banking in Venezuela.

Santander's successful bid was its second Latin American acquisition this week after the $151m purchase of a 55 per cent stake in Banco Comercial Antioqueño (Bancoquia) from Colombia's Grupo Bavaria, and brings its total investment in the region to about $2.3bn. It said yesterday's purchase would contribute positively to earnings per share in the first year.

The Venezuelan bank was taken over by the government in the country's 1994-95 banking crisis. It has a network of 184 branches, with deposits totalling $958m at the end of September, a market share of just under 10 per cent. Santander said it was awarded the bank at 1.51 times book value.

Mr Emilio Botín, Santander chairman, said it was "a great franchise with enormous potential".

Santander has networks in Chile, Peru and Puerto Rico. Its recent move in Colombia is tied to the acquisition by Bancoquia of the country's leading consumer credit specialist Invercrédito. BBV has interests in Mexico, Peru, Colombia and Argentina.

● Infisa, the Chilean financial group, has bought 80 per cent of Venezuela's fourth largest bank, Banco Consolidado, for $123.5m.

GKN faces $554m damages

By Tim Burt in London and John Authers in New York

GKN, one of the UK's largest engineering groups, warned yesterday it could be hit by legal damages of up to $554m after losing a compensation claim against one of its US car parts subsidiaries.

In what the company described as an "extraordinary verdict", a jury sitting in Charlotte, North Carolina, said GKN was guilty of a breach of contract over advertising arrangements at Meineke Discount Mufflers, its US specialist exhaust retailer.

The decision follows a three-year lawsuit by a group of Meineke's franchise operators, claiming that the subsidiary's in-house advertising agency had overcharged them and failed to generate new sales.

In recent years, the rapid growth among such car-parts franchises has begun to slow, with demand for replacement silencers and exhaust pipes declining to a gross level of less than 2 per cent a year.

According to GKN, some Meineke franchise operators filed for compensation after blaming the in-house advertising agency for failing to maximise their sales growth.

Although the initial compensation claim was just $31m, the Charlotte jury awarded damages of $398m against GKN. That total comprises the original claim of $31m, further compensation of $122m and $150m of punitive damages. It also includes $95m in interest charges.

In London, shares in GKN fell 35½p to 1,009½p after it indicated that the damages could be increased on appeal.

Sir David Lees, chairman, said: "Our reaction is total and complete amazement that a company can face such an award from a $31m claim."

He vowed to appeal once the Charlotte district court judge ruled whether to uphold the damages. A decision is expected at the end of January.

GKN said yesterday it would take an undisclosed exceptional charge against this year's profits to cover the damages.

Lex, Page 20

CSX lifts Conrail bid by $867m

By Richard Tomkins in New York

The bid battle for Conrail, one of the three big railway operators in the eastern US, intensified yesterday when CSX, the friendly suitor, came close to matching the hostile bid made by Norfolk Southern, the other big eastern railway company.

CSX said it was increasing its cash-and-share offer by $16 a share, or $867m, valuing Conrail at $9.5bn. Norfolk Southern is offering $110 a share in cash, valuing Conrail at $10.2bn.

CSX also sweetened its offer by saying it would hand over the cash and shares to Conrail's shareholders as soon as they approved the deal, instead of making them wait until the merger had been approved by the regulatory authorities.

The increased offer had been widely expected by US railway analysts, because CSX's earlier cash-and-share offer had looked in danger of being rejected in favour of the Norfolk Southern bid.

Norfolk Southern has not only offered a higher overall figure, but has also offered the entire sum in cash and says it will hand over the money as soon as shareholders approve the deal.

The CSX offer is complex. The company has already bought 20 per cent of Conrail's stock for $110 a share through a tender offer.

Next Monday, it had been due to call a special meeting of shareholders to ask for permission to tender for another 20 per cent of the stock at the same price.

If that had gone through, CSX had been due to offer 1.85619 of its own shares for each of the remaining Conrail shares. With CSX's shares trading at $44, down $1¼, after yesterday's revised offer, that valued each remaining Conrail share at about $81¾.

Yesterday CSX said it was increasing the value of its bid by offering an extra $16 per Conrail share in convertible preferred stock. It said it was also deferring Monday's meeting to January 17.

Mr David LeVan, Conrail chairman and chief executive, said: "This amendment to the merger agreement reaffirms the decision of the Conrail board that it is not willing to agree to the sale of Conrail to Norfolk Southern."

However, Norfolk Southern indicated it was not giving up the fight. It called CSX's move "an eleventh-hour attempt to avoid defeat" at Monday's shareholder meeting, and said it would use "any or all appropriate financial means" to acquire Conrail.

Conrail's shares were up $1⅝ at $100⅝ at midday.

Budvar takes lid off US rival's offer

By Vincent Boland in Prague

Budějovický Budvar, the state-owned Czech brewery, yesterday used the opening gambit in what could be an expensive battle with Anheuser-Busch of the US for the hearts and pockets of beer lovers worldwide, and claimed the moral high ground in their battle over the Budweiser trademark.

Over bottles of cold beer at the famous U Fleku pub in Prague, Budvar's top executives invoked history and commercial logic to justify their rejection of overtures by their powerful US opponents to settle the trademark issue after the breakdown of negotiations three months ago.

Mr Jiří Boček, Budvar general manager, said the final offer tabled by Anheuser-Busch, which he detailed for the first time, would have left his company playing second fiddle to US Budweiser in European markets where the companies are disputing rights to the trademark.

According to Budvar, the offer included a 10-year agreement on the purchase of Czech hops worth $76m, a down-payment of $20m, and a further $20m as a deposit on the future purchase of shares in Budvar by Anheuser-Busch. With other benefits to Budvar's owners, including higher taxes from increased hop prices, the offer was valued at $232m.

Mr Boček said the offer was unacceptable to Budvar and the government. "I believe that decision was rational and based on pragmatic considerations. Budvar is capable of developing itself without becoming a vassal [of Anheuser-Busch]," he said.

Mr Jack Purnell, chairman and chief executive of Anheuser-Busch International, said: "The last offer we made to Budvar was substantial but very complex, and had many components to it.

"The offer cannot be represented with a single figure – any such number could be very misleading."

Budvar and Anheuser-Busch have long been trying to settle the trademark dispute, stemming from agreements of 1911 and 1939 which allowed the Czech company to sell its beer using the Budweiser name in most of Europe, with the US company taking in the rest of the world.

When negotiations were ended in September, Anheuser-Busch accused Budvar and the government of not offering "a credible, substantive counter-proposal in the last five years". Instead, both companies will now face each other in court in those European markets where one or the other does not have full access.

Mr Boček admitted that continued legal action would be expensive.

Budvar has suffered recent court setbacks in Ireland, Portugal and Sweden, but has claimed victory in other markets.

Strong-arm tactics lift Gulf's credibility

Canadian group has industry respect – although few friends at Clyde Petroleum

Gulf Canada's 7am call to warn Clyde Petroleum of its imminent takeover bid did not go down well. "It came a bit late in the day," snaps Mr Malcolm Gourlay, the target's chairman. He was disappointed that Gulf had not bothered with an informal approach.

Mr Gourlay's immediate response, and subsequent rejection to Gulf's £432m ($722.5m) offer, left Mr J.P. Bryan, Gulf president and chief executive, completely unfazed. "I didn't see any good reason to approach them," he says. Clyde refused Mr Bryan's request to meet yesterday.

The ability to surprise has been a hallmark of the tough, blunt-speaking Texan's career since he took over at Gulf in January 1995. Within 45 days of taking the helm, he had chopped 40 per cent of Gulf's 1,200-strong Canadian workforce. He upset many more Calgary residents this autumn with a plan to move the group's remaining senior executives across the border to Denver, Colorado.

Surprise has also been the reaction of the oilmen who lunch at the Ranchmen's Club in Calgary. They have marvelled at Mr Bryan's success in turning Gulf from a corporate basket case into an aggressive competitor with a growing presence on the international energy scene.

Gulf Canada was in deep trouble when Mr Bryan's group of Houston-based investors, Torch Energy Advisers, bought a 25 per cent stake two years ago. The company had racked up four consecutive years of losses totalling C$420m (US$307m), and debt had soared. Both common and preferred dividends were suspended.

The then controlling shareholders, a group of international banks, were unlikely to take any bold or imaginative action. Their shares had been collateral for loans to Olympia & York, the property group controlled by Toronto's Reichmann family, which collapsed in 1992.

The Texan investors brought almost immediate financial relief. Torch injected C$300m in new equity at the time of the takeover, which was used to repay all debt obligations due up to the end of 1996.

Another C$134m in new equity has been raised since then, helping to reduce Torch's stake to 17 per cent. Preferred dividends were restarted within two months of the takeover.

The cash has helped Torch bump up capital spending to more than C$500m in the first year of its stewardship, from C$270m in 1994. The outlay has funded some very successful exploration. "Big hit" is a favourite expression in Gulf's financial statements to describe its expanding drilling programme.

"They've proved themselves to a lot of doubters," says Mr Craig Langpap, analyst at Peters and Co, a Calgary securities firm specialising in the oil and gas sector. That success has been reflected in Gulf's shares, up from C$3.70 soon after Mr Bryan joined to C$9.30 yesterday, valuing the group at about C$2.2bn.

"This is an appropriate time in Gulf's history [to buy Clyde]," says Mr Bryan. "A year ago we could not have financed this transaction. We did not have the credibility in the financial markets."

Mr Bryan was critical of the UK's group drilling record. The bid reflected a desire to pay for the "steak" of Clyde's cash flow and not the "sizzle" of potential exploratory success, he said.

The expansion strategy is not without risks. The acquisition of Clyde, if it goes through, would push up debt from C$1.2bn to C$2.2bn. The group reported cash flow of C$292m last year and is expected to have increased this to C$430m in 1996.

Interest cover, now four times operating profits, will fall to a multiple of three after the deal. However, the group aims to bring the debt back to its current level by next year by raising up to C$200m through issuing equity; selling some western Canadian assets for about $300m; and taking Asamera, a wholly-owned Indonesian subsidiary, public, in a move Gulf expects to raise $540m.

Shares in Clyde fell 2p yesterday to 116½p, against the 105p offer price. Analysts remained divided about the deal's value. NatWest Markets said a cash flow multiple of six times was higher than other recent bids in the sector. Cashflow multiples are the most commonly used valuation method in the sector because of the number of companies without earnings.

If the strategy works, Gulf's debt could be back to pre-Clyde levels by the end of 1997 and Mr Bryan will again be hailed for his boldness. If it does not, the regulars at the Ranchmen's Club may have even more to talk about.

Bernard Simon
Jane Martinson

Philip Morris in Portugal success

By Peter Wise in Lisbon

Philip Morris, the US cigarette maker, yesterday won control of Tabaqueira, Portugal's state-owned tobacco company, defeating rival bids led by Tabacalera, the Spanish group, and Seita of France.

The government approved Philip Morris's Es33.15bn ($211.4m) bid for 65 per cent of the Portuguese group over a higher offer of Es36.46bn from state-controlled Tabacalera and a Es31.2bn bid from Seita.

Plans by Philip Morris to almost double Tabaqueira's annual production from 11bn cigarettes to 21bn over the next five years by investing Es7.7bn are thought to have weighed heavily in the government's decision.

Mr Walter Thoma, head of Philip Morris's European operations, said yesterday Tabaqueira would begin producing the group's Marlboro, L&M and Chesterfield cigarettes under licence in the second quarter of next year.

It is transferring the production of 4bn cigarettes a year to Tabaqueira from plants in the Netherlands and Germany and plans to increase production by a further 6bn cigarettes a year by 2001 by investing in new capacity.

The socialist government approved the Philip Morris bid on condition that it sells Tabaqueira's dominant holdings in Portugal's leading tobacco distribution company and tobacco warehouses within 12 months.

Philip Morris, adding its 21 per cent share of the Portuguese cigarette market to Tabaqueira's 75 per cent, would enjoy a virtual monopoly if Tabaqueira maintained its dominant position in distribution.

A decision on the rival bids was held up for six weeks after the government asked the independent Competition Council to examine the impact of the sale.

The government wants to liberalise Portugal's tobacco market, where competitors have accused Tabaqueira of unfairly dominating distribution to its own advantage.

Philip Morris said yesterday that the prompt sale of Tabaqueira's distribution and warehousing holdings were part of its original proposals.

It would fully comply with the government's conditions, which also include an agreement not to disinvest.

INTERNATIONAL NEWS DIGEST

Huarte rescuer awaits state loan

Spain's troubled Huarte construction group came out of receivership yesterday after nine months. But its latest rescue plan, backed by businessman Mr Juan Miguel Villar Mir, still hung on a decision by the government's Official Credit Institute. Mr Villar Mir, who plans to merge Huarte with the Obrascón construction group, has threatened to pull out if a loan is not forthcoming.

Last month, a plan by Mr Rafael Fernández, Huarte chairman, to write off part of the company's debts, was approved. Huarte can now implement a two-stage capital increase. *David White, Madrid*

Endesa denies accusations

Endesa, Spain's government-controlled electricity group, which faces unprecedented proceedings for allegedly misleading regulators over takeover bids, denied yesterday that it had withheld information from the stock market commission, the CNMV. The company could be fined a maximum of Pta35bn ($267m), the equivalent of 5 per cent of its equity at the time of its mid-October bids for regional regulators Sevillana and Fecsa, on charges that it did not disclose to the CNMV, when requested by the regulators, takeover plans already agreed. Endesa shares rose 2.72 per cent yesterday to a record Pta9,050. *Tom Burns, Madrid*

Solvay buys control of Sodi

Solvay yesterday announced plans to take over the world's largest soda ash plant through the acquisition of a majority stake in the Bulgarian company, Sodi, for $160m. Sodi's synthetic soda ash plant, based near Varna, has an annual capacity of 1.2m tonnes of sodium carbonate, and employs 2,000 people.

■ UCB, the Belgian pharmaceuticals and chemicals group, said 1996 profits would be significantly better than last year's net result of BFr3.4bn ($106m), owing to a successful launch of its anti-allergy drug Zyrtec in the US and all-round improving sales. *Jenny Luesby*

Allianz upbeat on full year

Allianz, the German insurance concern, expects a "further substantial rise" in pre-tax profits this year based on performance to the end of the third quarter. But it repeated its earlier statement that the increase would not be as high as in 1995, when the pre-tax figure was 34 per cent higher at DM33.04bn ($21.26bn). It has already held out the prospect of a pre-tax profits increase of at least 10 per cent. *Andrew Fisher, Frankfurt*

EBRD lends OTP bank $50m

OTP, Hungary's largest bank, is to receive a 10-year $50m subordinated loan from the European Bank for Reconstruction and Development as part of the strengthening of its capital base. Majority ownership of OTP (Orszagos Takarekpenztar es Kereskedelmi), the national savings and commercial bank which controls more than 30 per cent of the assets of the Hungarian banking sector, was privatised last year. The announcement of financial backing from the EBRD helped lift the OTP share price 5.5 per cent in Budapest yesterday to close at Ft2,870.

Meanwhile, ABN Amro Bank, Europe's fifth largest bank, yesterday said it was planning to inject $137m in equity capital into Magyar Hitel Bank, the Hungarian credit bank. *Kevin Done, East Europe Correspondent*

Worms may sell Demachy

Worms, the French holding company, announced last night it was in negotiations to sell to ABN Amro of the Netherlands a majority stake in its small French bank, Demachy Worms. With a net profit of FFr40m ($7.6m) last year on a FFr11.3bn balance sheet, Demachy Worms is considered profitable, but too small to prosper on its own. *David Buchan, Paris*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

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This announcement appears as a matter of record only.

December 1996

CANTV

Compañía Anónima Nacional Teléfonos de Venezuela (CANTV)

USD 1,143,757,143 Global Offering

Joint Global Coordinators

SBC Warburg
A DIVISION OF SWISS BANK CORPORATION

Lehman Brothers

International Offering

15,720,000 American Depositary Shares Representing 110,040,000 Class D Shares

SBC Warburg
A DIVISION OF SWISS BANK CORPORATION

CS First Boston

Lehman Brothers

ABN AMRO Rothschild

BBV LatInvest

Caspian Securities Limited

J.P. Morgan Securities Ltd.

US Offering

23,580,000 American Depositary Shares Representing 165,060,000 Class D Shares

Lehman Brothers

J.P. Morgan & Co.

SBC Warburg Inc.

CS First Boston

Donaldson, Lufkin & Jenrette
Securities Corporation

Bear, Stearns & Co. Inc.

BT Securities Corporation

Citicorp Securities, Inc.

Dresdner Kleinwort Benson
North America LLC

Goldman, Sachs & Co.

Merrill Lynch & Co.

Oppenheimer & Co., Inc.

PaineWebber Incorporated

Prudential Securities Incorporated

Salomon Brothers Inc

Smith Barney Inc.

ABN AMRO Securities (USA) Inc.

Arnhold and S. Bleichroeder, Inc.

BBV LatInvest

Caspian Securities Inc.

Fahnestock & Co. Inc.

Robert Fleming Inc.

Paribas Capital Markets

RBC Dominion Securities Corporation

Santander Investment

Venezuelan Offering

73,000,000 Class D Shares

Merinvest

Valores Santander

COMPANIES AND FINANCE: INTERNATIONAL

Samsung shake-up pleases investors

By John Burton in Seoul

Shares of Samsung Electronics, the world's biggest producer of memory chips, yesterday rose 7.2 per cent to Won49,600, after the company's president was replaced in its biggest ever management reshuffle.

Mr Kim Kwang-ho, who has been president of South Korea's largest industrial group since 1992, had been blamed by analysts for the 58 per cent fall in the share price of Samsung Electronics this year.

He was criticised for over-estimating memory chip demand by investing heavily in new plants that have contributed to a global production glut.

The share price fell after a sudden 80 per cent plunge in the global price for computer memory chips. Profits have also been hurt by the acquisition last year of AST Research, the US personal computer maker, which has recorded growing losses.

Mr Kim had been regarded as perhaps the most important executive at Samsung after group chairman Mr Lee Kun-hee. He oversaw rapid profit growth at Samsung Electronics, which became the group's main cash cow.

Net profits reached $3bn in 1995, but are expected to fall to $300m this year.

Mr Kim now has a less powerful position heading Samsung's operations in North America. His main task will be to revive AST Research, while supervising Samsung's new chip plant in Texas and its consumer electronics factory in Mexico.

Samsung said Mr Kim's transfer to the US was part of a new policy to relocate senior managers to overseas posts in an attempt to expand rapidly the group's international activities.

Samsung Electronics' new president will be Mr Yun Jong-yong, who heads Samsung's office in Japan and who was previously president of Samsung Display Devices and Samsung Electro-Mechanics.

Acknowledging that Samsung Electronics had become too dependent on the highly-cyclical memory chip sector, Mr Chin Dae-je, Samsung Electronics vice-president, was put in charge of expanding non-memory semiconductor business.

Non-memory chips, which account for 70 per cent of the global semiconductor industry, enjoy a more stable market and higher profit margins than memory chips. But only an estimated 10 to 15 per cent of Samsung Electronics' semiconductor sales come from non-memory chips.

In total, 32 of Samsung group's 48 senior managers were replaced in a reshuffle that Samsung described as the biggest in its history. Younger executives were appointed to head Samsung subsidiaries, while their predecessors were transferred to regional centres abroad.

Mr Lee Pil-gon, head of the Samsung Corporation, the group's trading house, is to supervise activities in China, one of Samsung's biggest foreign markets.

Fiat picks up speed in South America

New plant in Argentina highlights region's importance to the Italian carmaker

When President Carlos Menem of Argentina opens Fiat's new $600m car plant in Cordoba today, he will lay another milestone in the breathtaking revival of South America's motor industry in the 1990s.

In the past month, General Motors and Volkswagen's upmarket Audi subsidiary have announced big spending plans for new factories in Brazil. In Argentina, Chrysler is investing heavily in a plant in Cordoba for sports utility vehicles.

For Fiat, the Argentine factory is part of a campaign to lift sales in one of the few regions of the world where demand for cars is growing rapidly.

"Fiat enjoyed a triumphalist period in Argentina from the mid-1950s to the mid-1970s," says Mr Vincenzo Barello, chairman of Fiat Argentina. "In those years, it invested heavily and was even the biggest employer in the country at one stage."

From the mid-1970s, however, the company went into reverse. Decline in Argentina coincided roughly with the company's push into Brazil, where Fiat built a new car plant at Betim, near the industrial city of Belo Horizonte, in 1976.

Gradually, the Brazilian operation eclipsed Argentina. By the early 1980s, Fiat had sold its Argentine car business to the local Macri family, which already made cars for Peugeot, while its once dominant market share had dropped to just 10 per cent. Although also suffering from political and economic instability, it was clear that Brazil would be the dominant operation and the focus of Fiat's future spending.

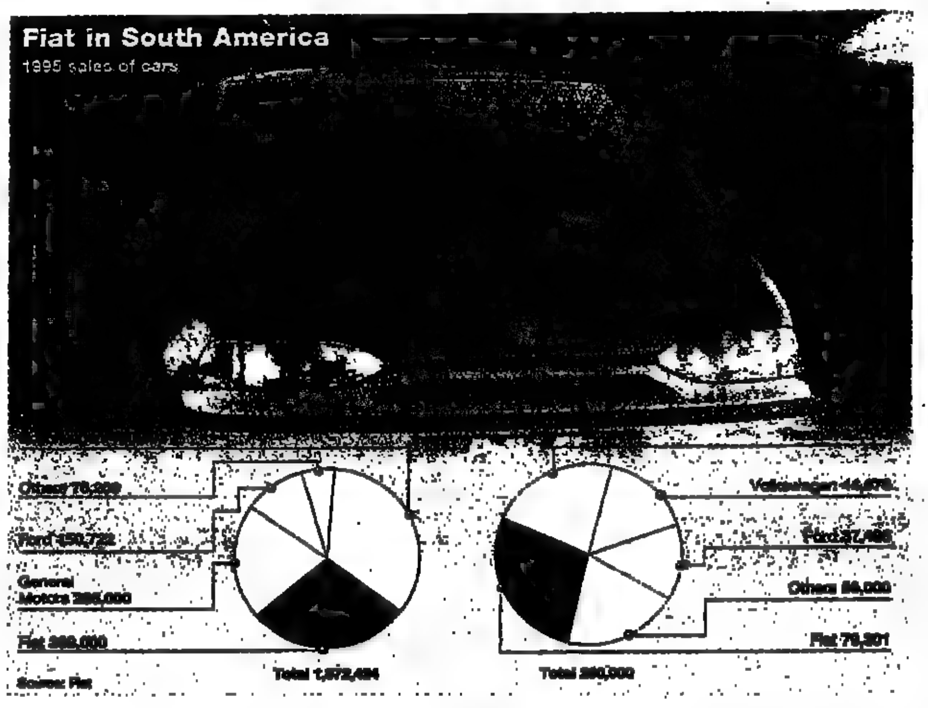
Two things revised that scenario. First was Mercosur, the four-country trade bloc that includes Uruguay and Paraguay, which has boosted economic recovery in the region.

As a result of the free trade area, Fiat's activities in Brazil and Argentina are now closely intertwined, explains Mr Giovanni Razelli, head of Fiat's Brazilian-based South American operations.

The second factor was the Palio, Fiat's new "world car", developed as a rugged but stylish compact vehicle for rapidly industrialising countries.

Since going on sale in Brazil in April – its first market – the Palio has accelerated into second place in the country's car market, behind VW's Gol. Sales topped 100,000 units by October, and Mr Razelli predicts the Palio will become number one by the second half of next year. The vehicle has already helped to raise Fiat's share of the Brazilian market from 12 per cent in 1989 to 26 per cent in 1995.

Fiat has spent about $1bn to expand output and modify Betim for the Palio. Output is now running at 2,000 units a day – compared with 800 a day in 1992 – and should reach 2,200 next year. Palio production, which accounts for the lion's share, is due to reach an annualised rate of 350,000 units, including kits for assembly elsewhere.



The Argentine plant marks the second step in the Palio project. While Betim builds three and five-door versions – as well as a recently-introduced station wagon – Cordoba will make 100,000 four-door saloons a year, eventually rising to 160,000 a year by 1998-99. The new Siena saloon will not share the Palio's name – an attempt to position it as a bigger, more up-market model.

The Palio/Siena is central to internationalising Fiat. The Brazilian and Argentine vehicles, to be supplemented with a pick-up and a van later, will spearhead Fiat's plan to lift sales in South America.

The next stage will be to start production in Poland, where Fiat is already the biggest carmaker following its acquisition of the state-owned FSM group. Eventually, the Palio will also be built or assembled in India, Venezuela and Morocco. Assembly in South Africa and Turkey should follow, while China, Egypt and Vietnam are also on the horizon.

The project also envisages intricate cross-supplies between assembly operations to maximise economies of scale. In South America, for example, the complex bilateral car trade rules between Brazil and Argentina mean Fiat must balance exports and imports of cars and components to maximise potential tariff exemptions. "Brazil without Argentina doesn't make sense," notes Mr Barello.

That means Fiat Argentina will import Palio hatchbacks from Brazil and export saloons. As the flows are unlikely to be even, engines and gearboxes will partly make up the difference. And exports from both countries to regions outside Mercosur will serve to exploit rules permitting low-tariff imports for carmakers which sell vehicles outside the region, explains Mr Razelli.

He believes the Palio will raise Fiat's profits in South America, in spite of rising competition in the region as other manufacturers raise output and bring in the latest-generation models, rather than the "hand-me-downs" of the past.

High profits from South America have been particularly important to Fiat in the past, as they have helped the group get through lean periods in Europe. However, Mr Razelli says the quality of Fiat's South American earnings has also improved in recent years.

Profits in Brazil this year will be less than the record of about $500m, made when inflation was still raging in 1994. However, about $300m of that total came from financial operations, rather than the core business of carmaking.

By contrast, about three quarters of this year's forecast profits of about $400m will come from cars and the remainder from finance, the company forecasts. If the Argentine-built Siena proves as popular as the Palio in Brazil, it should help to lift both profits and Fiat's market share.

Haig Simonian

Go-ahead for WMC fertiliser project

By Nikki Tait in Sydney

WMC, the Australian mining group, yesterday gave the go-ahead to a new A$650m (US$515m) fertiliser project at Phosphate Hill, close to Mount Isa in northern Queensland.

Production is due to start in 1999. Once fully operational, the mine and manufacturing facility will produce around 1m tonnes a year of high analysis fertilisers, both diammonium phosphate and monoammonium phosphate.

As an important part of the project, the Mount Isa copper smelter – which is owned and run by Brisbane-based MIM Holdings – will supply sulphur dioxide gas to the plant. This will be converted into sulphuric acid, to be used in manufacturing the fertilisers.

MIM will make the gases available; supply a suitable site for the acid plant; fund A$25.7m of equipment for gas-cleaning at Mount Isa; and spend an additional A$50m on upgrading the smelter's gas collection system.

The go-ahead for the fertiliser project follows a long search by WMC for ways of developing its large phosphate resource at Phosphate Hill, which contains about 2bn tonnes of phosphate rock. Earlier this year, the mining group began studying the costs of a 1m tonne a year high analysis fertiliser project.

The A$650m capital expenditure will go on upgrading existing mine facilities at Phosphate Hill; building the sulphuric acid plant; constructing ammonia, phosphoric acid and granulation plants; and building and upgrading storage and shipping facilities at Townsville, on the Queensland coast.

About 1,860 jobs will be created during the two-year construction phase, and there will be 250 ongoing jobs.

About half the plant's output is likely to be sold domestically, largely replacing imported fertilisers.

The fertiliser project is the latest in a series of capital projects announced by WMC this year, including a A$157m gold processing plant at St Ives in Western Australia, and the A$1.25bn expansion of its Olympic Dam copper-uranium mine in South Australia.

However, the company is in the processing of shedding its petroleum division. It has also said that the fertiliser project will be funded from existing cashflow and debt arrangements.

● Normandy Mining, the Australian gold mining group headed by Mr Robert Champion de Crespigny, said yesterday it had won acceptances for about three-quarters of the shares of North Flinders Mines, a smaller mining group. That leaves it well short of the 90 per cent level at which it could compulsorily buy out the minority holders.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.75	11.75	11.75
0100	11.80	23.32	24.16
0130	11.88	23.32	24.16
0200	11.88	23.32	24.16
0230	11.88	23.32	24.16
0300	16.75	23.32	24.16
0330	18.00	23.32	24.16
0400	11.88	16.49	17.32
0430	11.75	14.53	15.36
0500	11.75	14.53	15.36
0530	11.88	12.28	12.71
0600	11.88	11.88	12.79
0630	12.67	15.88	16.83
0700	22.89	16.00	16.83
0730	17.37	17.61	18.47
0800	34.81	17.11	18.03
0830	28.76	18.77	19.77
0900	34.57	19.32	20.49
0930	50.95	49.97	51.28
1000	50.88	50.18	51.53
1030	50.84	50.07	51.39
1100	34.57	19.75	21.08
1130	34.65	[illegible]	[illegible]
1200	28.77	19.88	20.83
1230	28.76	19.16	20.31
1300	28.75	18.76	19.78
1330	28.16	18.43	19.34
1400	28.16	16.89	17.87
1430	28.16	16.87	17.64
1500	28.16	16.98	17.82
1530	28.16	[illegible]	[illegible]
1600	12.47	21.77	[illegible]
1630	44.27	54.32	65.88
1700	74.41	99.20	110.75
1730	77.94	154.71	168.21
1800	72.96	108.91	124.45
1830	58.10	48.42	55.76
1900	41.16	26.86	28.42
1930	41.02	20.86	22.32
2000	33.02	18.88	20.60
2030	28.16	18.53	18.37
2100	23.25	16.80	17.64
2130	23.25	16.24	17.07
2200	28.55	16.20	17.03
2230	22.50	16.20	17.03
2300	16.16	11.75	11.73
2330	11.80	11.88	11.88
2400	11.75	11.88	11.88

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 2:15pm Monday to Friday.
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Launches to hold back GM earnings

By Richard Waters
in New York

General Motors has told analysts it is finding its most important vehicle launches for some years to be slower and more costly than had generally been expected, it emerged yesterday.

The company also indicated that new investments in overseas markets will hold back its earnings for the final three months of this year.

The poorer outlook on both domestic and international fronts sent shares in the US's biggest automaker $⅞ lower yesterday morning, to $58⅝, extending their $1⅞ loss of the day before.

Wall Street has been watching GM's new vehicle launches for signs of whether the group can halt and then begin to reverse the slide in its market share. The company accounted for 31.6 per cent of new vehicles sold in the first 10 months of this year, two percentage points lower than in 1993.

GM's relative weakness in light trucks like sport utilities, pick-up trucks and minivans, the hottest part of the new vehicle market, in part explains its diminished market share.

The company has also suffered from a lack of exciting new models, customers to rivals, in particular Chrysler.

The company has said recently that it will build up sales of new models slowly, to avoid quality problems. On Wednesday, it indicated privately to a number of industry analysts that the costs of this process, along with the after-effects of a strike in the third quarter, would hold down its earnings for the fourth quarter.

This matches the experience of Ford a year ago and Chrysler in early 1995, when each of those companies went through important new model launches. In both cases, the costs proved heavier than Wall Street had expected.

GM told analysts its international profits would be held back by the costs of building its operations in countries such as China, Argentina and Poland, said Mr David Garrity, an analyst at Smith Barney.

It also said that an unfavourable sales mix, with a high proportion of sales being less profitable vehicles, would hurt earnings in Latin America and Europe.

Mr Garrity, who yesterday lowered his estimate for GM's fourth quarter operating earnings from 57 cents to 45 cents a share, said the news did not dent his confidence in GM's longer term prospects. The company, which is generating substantial amounts of cash, will benefit from its new line-up of more profitable vehicles, and from greater sales in the emerging markets, he said.

Ski resort consolidation snowballs

This week's Intrawest deal reflects a developing trend

North America's ski resort operators have more on their minds this winter than snow conditions and ticket sales on the lifts.

A blizzard of mergers, takeovers and the scrutiny that comes with them is sweeping across slopes from Colorado and British Columbia to Quebec and Vermont.

The deals are transforming the ski industry from a patchwork of mostly family-owned businesses to sizeable corporate empires. While lift tickets, food and equipment rentals remain a crucial part of the business, the buzzwords now are real-estate development, resort management and international marketing.

This trend was evident this week when Vancouver-based Intrawest paid C$260m (US$190.2m) in cash and shares to families that own two of the continent's best-known ski areas – Whistler Mountain in British Columbia and Copper Mountain in the US Rocky Mountains.

The deal will give Intrawest, already the biggest operator, control of eight resorts across the continent, attracting about 4.6m visitors a year and employing 8,000 people.

Meanwhile, Vail Resorts, one of Intrawest's main rivals, is awaiting the outcome of a US Justice Department probe into its proposed US$300m acquisition of three Colorado resorts formerly owned by Ralcorp, the St Louis-based cereals and pet food maker.

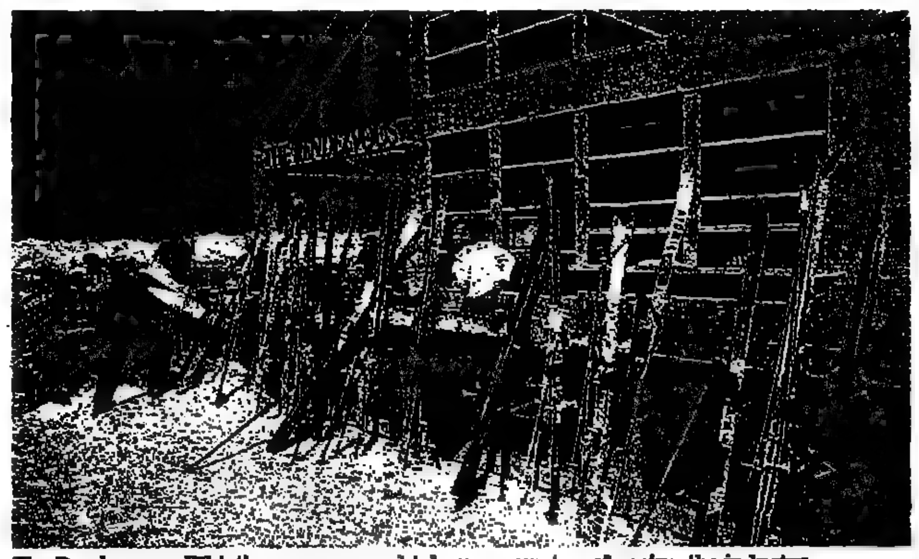
That deal would give Vail, a private company whose shareholders include Mr Leon Black, the Wall Street financier, an estimated 43 per cent of Colorado's ski market, including control of the three busiest resorts.

The antitrust investigation has stalled Vail's plans for a public share offering on the New York Stock Exchange.

A third big group, American Skiing Corporation, emerged earlier this year from the marriage of two ski operators in Maine and Vermont. American Skiing now owns eight resorts in the eastern US.

The recent consolidation is part of a trend that has seen the number of ski areas in North America shrink from about 1,200 in the early 1980s to roughly 500.

Mr Kevin Eldridge, analyst at Salman Partners, a Vancouver-based institutional research firm, says small hills find it increasingly difficult to compete against the resorts, which offer not only skiing but shopping plazas, entertainment and housing development.



The Rendezvous, Whistler: mergers and takeovers are transforming the industry Skishoot

"It's a synergistic ball that keeps rolling," Mr Eldridge says.

Intrawest's goal is to create a ski resort brand name along the lines of Club Med in beach resorts, or Carnival Cruises in cruise ships. "We have eight or nine products to sell," says Mr Dan Jarvis, chief financial officer.

The hope is that skiers who have visited one Intrawest resort will be tempted to return to others, with encouragement from such marketing tools as an annual "mountain planner brochure", along the lines of a tour operator's catalogue.

The Whistler deal illustrates the potential economies of scale. Intrawest already owns the Blackcomb resort, adjoining Whistler. While Blackcomb has almost exhausted the land available for condominium and other housing development, Whistler has paid little attention to the real estate around its ski runs. Mr Jarvis estimates the deal will add 10 years of development potential.

According to Mr Charles Young, Whistler chief executive and former joint owner: "The assets of Whistler Mountain, combined with the resort development expertise and marketing network of Intrawest, will make a stronger future for both."

As part of this week's deals, Intrawest said it would invest C$35m to improve Whistler's facilities. It plans to spend C$495m at Copper Mountain over the next 10 years, mostly on housing, shops and new lifts.

Intrawest's property sales more than doubled to C$111m in the year to June 30, contributing 39 per cent of total revenues from continuing operations of C$283m. Earnings climbed 60 per cent to C$18.8m.

Investors appear to approve of the direction the ski business is moving. Intrawest shares soared to a record C$21 in early trading in Toronto yesterday.

Bernard Simon

American offers KLM role in BA alliance

By Gordon Cramb
in Amsterdam

The clearest signal yet that British Airways and American Airlines may be seeking to include other carriers in their controversial trans-atlantic alliance came yesterday when Mr Bob Crandall, American chairman, was quoted as offering an invitation to KLM of the Netherlands to join forces with the two.

De Telegraaf, the mass selling Dutch daily, reported Mr Crandall as saying in a New York interview: "We – American Airlines and British Airways too – would really applaud an alliance with KLM. We have let KLM president [Mr Pieter] Bouw know precisely that. We have, moreover, said to him that the initiative for that now lies with KLM."

KLM official last night there were no talks in progress, and it could not "philosophise on possibilities".

The Dutch airline has for the last seven years had a tie-up with the rival Northwest Airlines, which, although operationally successful, has been fraught with difficulties over control. KLM, with an economic interest of 25 per cent in Northwest, has had its voting rights capped at 19 per cent through a poison pill defence against takeover.

"These problems, which KLM alone can evaluate, must first be solved," Mr Crandall said in the interview. This week BA said it intended to sell its nearly 25 per cent stake in USAir, another carrier, following a failed alliance.

"That will in any event make the alliance between British Airways and American Airlines easier," Mr Crandall said.

KLM, which is engaged in a cost-cutting programme to restore slipping profitability, has acknowledged it needs more partnerships, though particularly within Europe where its route network is thin.

NWES DIGEST

Bank intensifies battle for Izvestia

The battle for control of Izvestia, Russia's only big independent newspaper, heated up this week after a commercial bank launched an aggressive campaign to buy its shares. Mezhprombank, which already owns 15 per cent of the newspaper's stock, has been wooing current and retired Izvestia employees, who own some 31 per cent.

Lukoil, Russia's leading oil company, last month bought 20 per cent of the newspaper through a Lukoil pension fund. However, Izvestia subsidiaries and its employees retained a combined 51 per cent stake, and the oil company said it was not seeking a controlling interest. Mr Igor Golumbievsky, the editor of Izvestia, said the newspaper's management, which had already bought 20 per cent of the stock through Izvestia subsidiaries, was trying to block Mezhprombank by itself offering to buy employee shares. *Chrystia Freeland, Moscow*

GE to lift payout 13%

General Electric was yesterday upbeat about the second half of the 1990s, announcing a 13 per cent increase in its dividend and an extension of its share buy-back programme to the end of 1998. Those moves, and a two-for-one stock split, "demonstrate our confidence in both the short and long-term confidence in our company", said Mr Jack Welch, chairman.

The dividend increase, which takes the quarterly payout from 46 cents to 52 cents, echoes the level of increases in recent years, and is intended to match earnings growth, Mr Welch indicated. GE said its board had authorised an increase in its share buy-back programme, giving it room to repurchase up to $6.7bn of its stock before the end of 1998. The company has already spent $6.3bn on stock repurchases over the past two years. Yesterday's announcement prompted a rise of $2⅝ in GE's shares, to $101⅞, adding nearly $5bn to its stock market value. Moody's Investors Service, the US rating agency, confirmed its triple-A debt rating for the company. *Richard Waters, New York*

Stockholm SE merger closer

The Stockholm Stock Exchange and OM Group, the Swedish derivatives exchange operator and the bourse's biggest shareholder, appeared yesterday to be close to agreeing a merger. They said talks on deepening co-operation, launched several weeks ago, had "convinced the boards of directors and managements of the companies that the advantages of a merger would be significant". *Hugh Carnegy, Stockholm*

ITI Holdings placement

ITI Holdings, a Luxembourg-registered media-to-food group, has become Poland's first private company to raise new capital through an international private placement. Next month, ITI is also set to become the first Polish company to float its shares in Luxembourg. This week's placement was worth $35m. *Christopher Bobinski, Warsaw*

Tandem Computers sale

Tandem Computers of California has agreed in principle to sell wholly-owned UB Networks, a pioneer in networking equipment, to Newbridge Networks, the Ottawa-based supplier of high-speed telecoms switching components. Newbridge will initially pay about US$100m. *Bernard Simon and Louise Kehoe*

PUBLIC NOTICES

Open General Licence
Chemical Weapons Act 1996
Date of issue: 1 January 1997

This Licence is granted by the Secretary of State, in exercise of the powers conferred by section 20 of the Chemical Weapons Act 1996 (c.6).

1. **Interpretation**
(1) In this Licence "Chemical" means any chemical referred to in the Schedule hereto.
(2) The Schedule forms part of this Licence together with any subsequent Schedule(s) which the Secretary of State may issue as a variation to this Licence at a later date.

2. **Authorisation**
Subject to the terms set out below, this Licence authorises any person-

(a) to produce any Chemical with the intention that it will be used for research, medical and/or pharmaceutical purposes and in a quantity which can be justified for such purposes; and

(b) to have in his possession and use any Chemical for or with the intention that it will be used for research, medical, pharmaceutical and/or protective purposes and in a quantity which can be justified for such purposes.

3. **Restrictions**
(1) A person shall not produce Chemicals in an aggregate amount exceeding 5 grammes in any calendar year.
(2) A person shall not use or have in his possession more than an aggregate amount of 5 grammes of Chemicals at any time.

4. **Notification to the Secretary of State**
(1) (a) a person shall immediately notify the Secretary of State if he has any Chemical in his possession at the date hereof and shall notify the Secretary of State within 14 days if he produces or otherwise acquires possession of any Chemical at any time hereafter.

(b) a person who is required to notify the Secretary of State pursuant to sub-clause (1)(a) above shall give particulars of -

(i) his name and address; and
(ii) the location where he produced and/or has the Chemical in his possession.

(c) the person shall notify the Secretary of State within 14 days after any change to any of the said particulars.

(d) where a person has notified the Secretary of State under sub-clause (1)(a) he shall notify the Secretary of State by 15th January in each subsequent year if he still has the Chemical in his possession on 1st January in that year.

(2) A person shall notify the Secretary of State at least 50 days in advance if he intends to import from or export to another Member State of the European Community either of the Chemicals numbered (7) and (8) in the Schedule. He must identify in the notice the Chemical, the quantity, the purpose(s) and the proposed date of the importation or exportation, and the name and address of the transferor or consignee or end user, as the case may be.

(3) Any notice to be given by a person under this clause shall be in writing and shall be sent by post or delivered to the Chemical Weapons Authority, Kingsgate House, 66-74 Victoria Street, London SW1E 6SW.

5. **Records**
A person who produces, has in his possession, or uses a Chemical shall keep a written record for a period of 3 years of -

(a) its name, structural formula, Chemical Abstracts Service registry number (if any) and quantity;
(b) the purpose(s) for which it was produced, in his possession; or used; and
(c) the person from whom he acquired it and/or to whom he has transferred it (if any).

He must permit a person authorised by the Secretary of State to examine and take copies of such records at any reasonable time.

6. **Commencement**
This Licence shall come into force on 1st January 1997.

An Official of the Department of Trade and Industry authorised to act on behalf of the Secretary of State for Trade and Industry.

Schedule
Chemicals

		(CAS registry number)
(1)	O-Alkyl (< C10, incl. cycloalkyl) alkyl (Me, Et, n-Pr or i-Pr)-phosphonofluoridates	
	e.g. Sarin: O-Isopropyl methylphosphonofluoridate	(107-44-8)
	Soman: O-Pinacolyl methyphosphonofluoridate	(96-64-0)
(2)	O-Alkyl (<C10, incl. cycloalkyl) N,N-dialkyl (Me, Et, n-Pr or i-Pr phosphoramidocyanidates	
	e.g. Tabun: O-Ethyl N,N-dimethyl phosphoramidocyanidate	(77-81-6)
(3)	O-Alkyl (H or <C10, incl. cycloalkyl) S-2-dialkyl (Me, Et, n-Pr or i-Pr)-aminoethyl alkyl (Me, Et, n-Pr or i-Pr)-phosphonothiolates and corresponding alkylated or protonated salts	
	e.g. VX: O-Ethyl S-2-diisopropylaminoethyl methyl phosphonothiolate	(50782-69-90)
(4)	Sulfur mustards:	
	2-Chloroethylchloromethylsulfide	(2625-76-5)
	Mustard gas: Bis (2-chloroethyl) sulfide	(505-60-2)
	Bis (2-chloroethylthio) methane	(63869-13-6)
	Sesquimustard: 1,2-Bis (2-chloroethylthio) ethane	(3563-36-8)
	1,3-Bis (2-chloroethylthio)-n-propane	(63905-10-2)
	1,4-Bis (2-chloroethylthio)-n-butane	(142868-93-7)
	1,5-Bis (2-chloroethylthio)-n-pentane	(142868-94-8)
	Bis (2-chloroethylthiomethyl) ether	(63918-90-1)
	()-Mustard: Bis (2-chloroethylthioethyl) ether	(63918-89-8)
(5)	Lewisites:	
	Lewisite 1: 2-Chlorovinyldichloroarsine	(541-25-3)
	Lewisite 2: Bis (2-chlorovinyl) chloroarsine	(40334-69-8)
	Lewisite 3: Tris (2-chlorovinyl) arsine	(40334-70-1)
(6)	Nitrogen Mustards:	
	HN1: Bis (2-chloroethyl) ethylamine	(538-07-8)
	HN2: Bis (2-chloroethyl) methylamine	(51-75-2)
	HN3: Tris (2-chloroethyl) amine	(555-77-1)
(7)	Saxitoxin	(35523-89-8)
(8)	Ricin	(9009-86-3)
(9)	Alkyl (Me, Et, n-Pr or i-Pr) phosphonyldifluorides	
	e.g. DF: Methylphosphonyldifluoride	(676-99-3)
(10)	O-Alkyl (H or <C10, incl. cycloalkyl) O-2-dialkyl (Me, Et, n-Pr or i-Pr)-aminoethyl akyl (Me, Et, n-Pr or i-Pr) phosphonites and corresponding alkylated or protonated salts	
	e.g. QL: O-Ethyl O-2-diisopropylaminoethyl methylphosphonite	(57856-11-8)
(11)	Chlorosarin: O-Isopropyl methylphosphonochloridate	(1445-76-7)
(12)	Chlorosoman: O-Pinacolyl methylphosphonochloridate	(7040-57-5)

Notes:
1. In this Schedule the reference to the CAS registry is to the Chemical Abstract Service registry.
2. This Schedule must be read subject to the following proposition, where reference is made to groups of dialkylated chemicals, followed by a list of alkyl groups in parentheses, all chemicals possible by all possible combinations of alkyl groups listed in the parentheses must be taken to be listed in the Schedule.

FIDELITY ORIENT FUND
Société d'Investissement à Capital Variable
Kansallis House - Place de l'Etoile
L-1021 Luxembourg
R.C. No B 19061

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of Fidelity Orient Fund, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Etoile, Luxembourg, at 11.00 am on December 31, 1996, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended August 31, 1996.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R.J. Bateman, Charles T.M. Collis, Charles A. Fraser, Jean Hamilius and H.F. van den Hoven, being all of the present Directors.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Consideration of such other business as may properly come before the Meeting.

Approval of items 1 through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or respresented in order for a quorum to be present.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: November 28, 1996
By Order of the Board of Directors

Fidelity Investments™

COMPANIES AND FINANCE: UK

CalEnergy bid looks set to succeed

By Simon Holberton and Jane Martinson

CalEnergy's £782m ($1.3bn) hostile bid for Northern Electric closes today, with the US predator looking to be in the stronger position in a close-fought contest.

Most observers of the takeover battle – which closes at 1 pm – believe CalEnergy will succeed. But it will be fought to the last.

CalEnergy already owns nearly 30 per cent and has acceptances for another 4 per cent. Backing from other shareholders, contacted by the FT yesterday, suggested it was assured of more than 40 per cent.

Northern has mounted a vigorous defence and about 30 per cent of shareholders seem set to stay loyal. Cal Energy's 650p a share offer has galvanised opposition from some of its large shareholders.

The Prudential, Northern's largest shareholder after Cal Energy with 11.3 per cent, said this week's agreed bid for London Electricity had "reinforced our belief that CalEnergy's offer is too cheap". There had been "nothing new whatsoever" from CalEnergy to make the group change its mind.

Other large institutional investors supporting Northern include M&G, and Foreign Colonial, which manages Northern's pension fund.

The stance adopted by Standard Life, which owns 3 per cent of Northern, is thought to be crucial to the outcome. Mr Chris Foot Wood, chairman of Northern's small shareholders association, said he expected CalEnergy's bid to be defeated. "I'm quite convinced the great majority of small shareholders don't want Northern Electric to be taken over, least of all by an American company."

CalEnergy remained quietly confident of success. "The principal thing that could have stopped us was if Northern's advisers had bought a material amount of Northern shares today, but they haven't," said one adviser.

BZW added only 100,000 Northern shares, or 0.1 per cent, to the 2.3 per cent it and Schroders bought on Wednesday. CalEnergy accused the two advisers of "undesirable bid manipulation" and claimed the tactic had backfired.

Asda expands campaign against price fixing

By Peggy Hollinger

Asda, Britain's fourth-largest supermarket chain, hopes to repeat its success in breaking price-fixing arrangements on books and drugs with a series of campaigns on other products next year.

Mr Archie Norman, chairman, said yesterday that consumers were paying unreasonable prices for many products. "There are areas still where people have inflated margins," he said. Asda's campaign against the price fixing of over-the-counter medicines prompted a review of the arrangement earlier this year.

The company also led opposition to price fixing on books through the net book agreement. It would not specify yesterday which products' prices it intended to cut.

Mr Norman's comments came as the group announced a 15.8 per cent jump in pre-tax profits before exceptionals to £160.1m ($267.4m) on sales ahead 13.5 per cent to £3.45bn.

The performance came in at the top end of analysts' expectations and the shares edged up 3p to 126¾p. Asda achieved like-for-like sales growth of 10.2 per cent, well ahead of the industry average of 5-6 per cent. One analyst said that the group was performing well against its good figures of last year. It was "still getting most of its sales growth through to the bottom line", he said.

But Mr Norman said the pace of comparable sales growth was likely to slow next year. "I do not expect to perform quite this strongly but I do believe we can still outperform the competition."

Asda's strong results were fuelled by an increase in market share from 10.1 to 10.6 per cent. Customer numbers also increased by 7 per cent to 6m a week.

Mr Norman, who yesterday succeeded Mr Patrick Gillam as chairman, said Asda intended to maintain its lower price proposition, even if rivals such as Tesco introduced further initiatives.

Lydia van der Meer
Allan Leighton, chief executive (left), with Archie Norman

UK side behind loss at MDI

By Hilary Barnes in Copenhagen

Difficulties at the UK operations of MD Foods International, a division of Danish co-operative dairy group MD Foods, were the main reason for the subsidiary making a loss in the year to June 30.

Severe price competition, negative effects of the BSE crisis and rationalisation costs in the UK were blamed for a DKr216m ($36.7m) loss by MDI. It made profits of DKr13m in the previous year. MDI's result was also adversely affected by an increase to DKr20m (DKr10m) in royalty payments to its parent.

Mr Kim Nielsen, chief executive of MDI, said that the BSE crisis had caused periods of excess milk supply, with milk being sold at a loss, as well as a collapse in sales of cream. Rationalisation costs were mainly related to conversion from bottled milk to supplies of milk to supermarkets in disposable packaging.

"In the light of the rationalisation and market measures we have already taken, MD Foods is well placed to meet competition and development over the next couple of years. There will be a reduction in the number of suppliers, a development which we consider will give those which are left a healthier economy," said Mr Jens Bigum, group chief executive.

MDI has turnover of about DKr3.7bn, 80 per cent arising in the UK and the rest in Saudi Arabia, South Korea and Brazil. After taking over Lord Rayleigh's Dairies in August, MD Foods sells 700m kg of milk a year, more than the total consumption in Denmark.

The MD Foods group, which issued consolidated figures for the first time, reported a net profit of DKr590m. The parent company, however, increased net profits from DKr503m to DKr583m. Turnover reached DKr21bn, which makes MD Foods the second biggest industrial company in Denmark after the AP Moller-Maersk shipping and oil and gas business.

Mr Bigum said that on the negative side income from export subsidies to non-EU countries had been halved over the past three years.

Whitbread chief to stand down

By David Blackwell

Mr Peter Jarvis, the architect of Whitbread's transformation from a traditional brewer to a retail leisure group, is to leave the company next summer.

His successor as chief executive will be Mr David Thomas, managing director of the restaurants and leisure division.

The decision of Mr Jarvis to step down at the age of 55 surprised some in the City, and Whitbread's shares were marked down 14½p to 761p. However, one analyst said the shares had become overbought after a strong run and any news of this sort was bound to lead to profit taking.

Mr Jarvis said he was retiring while the group was in good shape. "It's best to hand over when things are going well, and the strategy is fixed and accepted," he said, adding that his 12 years as chief executive had been "a lot of fun".

He joined Whitbread 20 years ago after 12 years in marketing at Unilever, the Anglo-Dutch consumer products group.

Mr Jarvis has led the group through three big strategic acquisitions – Marriott in hotels, David Lloyd in sports centres, and Pelican in city centre restaurants. The rewards from the £500m ($835m) spending spree started to emerge last month, when the group reported a 13 per cent rise in interim profits to £178.1m.

Mr Thomas, 52, has for the past four years been the key figure alongside Mr Jarvis in taking Whitbread – a traditional brewer for 250 years – into hotels, eating-out and active leisure.

After working at Finefare, Linfood and Grand Metropolitan, Mr Thomas joined Whitbread in 1984. He took the group into the pub food market through Brewers Fayre.

As managing director of the restaurant and leisure division, Mr Thomas developed brands such as Travel Inn, the budget hotels chain, TGI Friday's and Beefeater.

Mr Thomas's successor has not been decided, prompting speculation that the restaurants and leisure division could be divided into two.

Citizens makes $5bn disposal

By Christopher Brown-Humes

Citizens Financial, the US bank which is 76.5 per cent owned by the Royal Bank of Scotland, has sold $5bn of mortgage servicing rights for $89m.

The move is in line with its strategy of pulling out of mortgage servicing and withdrawing from wholesale mortgage business.

The buyer is Dovenmuehle Mortgage, one of the biggest providers of mortgage servicing in the US, which will also take over the servicing of Citizens' $3.2bn mortgage book.

Mr Bob Speirs, finance director at the Royal Bank of Scotland, said Citizens had decided to sell because it was not a big enough participant in mortgage servicing. The industry has been consolidating, including last year's decision by Barclays to sell its mortgage servicing rights in the US.

Citizens is still looking to sell a further $3.8bn of mortgage servicing rights. This business has been put out to tender, and it is hoped a sale will be concluded soon.

Citizens only intends to remain in mortgage origination in its home territory of New England, said Mr Speirs.

The minority 23.5 per cent stake in Citizens is held by the Bank of Ireland.

Mr Paul D'Alton, Bank of Ireland chief financial officer, said the net effect of the withdrawal from mortgage servicing would be positive for Citizens.

Irish Life in $163m US buy

By Michael Lindemann

Irish Life, the Republic's largest life assurance and pensions group, yesterday said it would pay $163m for a privately-owned US company specialising in life assurance and accidental and health business.

The Dublin-based group expects to fund the acquisition of Indiana-based Guarantee Reserve Life Insurance, "substantially" from its own resources.

An unspecified balance would be financed by bank loans. Irish Life had net cash of I£80m when it reported its 1996 interim results in September.

Irish Life expects to complete the deal by March 31, when it expects Guarantee Reserve to have an embedded value of $146m. Embedded value measures the current and future profits on life and pensions products and investment income.

About 18 per cent of Irish Life's embedded value comes from US business but the latest deal would raise that figure to more than 30 per cent, the company said.

NOTICE OF CHANGE OF NAME

To the holders, issuers and guarantors of bonds, notes and other instruments in respect of which Chemical Trust & Banking Co., Ltd. (Japan) (the "Bank") has been appointed Principal Paying Agent or in any other or similar capacity and to the trustees, paying agents, custodians, swap counterparties and other parties in relation thereto:

NOTICE IS HEREBY GIVEN that with effect from November 1, 1996 the name of the Bank has been changed to "Chase Trust Bank". The Bank's specified office and address for correspondence is:

Head of Administration & Planning Group
Chase Trust Bank
Akasaka Park Building, 13F
2-20, Akasaka 5-chome
Minato-ku, Tokyo 107, Japan

Chase Trust Bank
December 20, 1996

CHASE

COMPANIES AND FINANCE: UK

Airtours and Carnival offer L452bn for Italian cruise line

Approach to Costa Crociere

By Scheherazade Daneshkhu in London and John Simkins in Milan

Airtours, the UK-based tour operator, and its largest shareholder Carnival Corporation have offered L452bn ($302.3m) for Costa Crociere, the heavily indebted Italian cruise line.

It is the two companies' first joint action since Carnival, the largest US cruise line, took a 29 per cent stake in Airtours in April. The offer also represents their desire to increase their 10 per cent share of the fast-growing Mediterranean cruise market.

The two sides have signed a letter of intent with Costa Crociere's controlling shareholders and plan to make a formal bid after a due diligence investigation.

Mr Wayne Sanderson, leisure analyst at Merrill Lynch, said: "If the marriage is made, it could be a sensational deal because of the successful acquisitions track record of Carnival and Airtours, and the potential to improve profits."

Mr David Crossland, Airtours' chairman, said the European cruise market was forecast to grow rapidly. Airtours, which is the largest tour operator in Scandinavia and the second largest in the UK, was well placed to capitalise on this increasing popularity.

Aboard an Airtours liner: the Mediterranean cruise market is forecast to grow rapidly

Trading in Costa Crociere's shares resumed on the Milan stock exchange yesterday after being suspended on Monday following rumours of an impending deal.

Genoa-based Costa Crociere, which has eight ships, and a 30 per cent share of the Mediterranean cruise market, said it was compelled to seek new financing. It needed funds for a L1,000bn investment in new ships to maintain its place as the world's fifth largest cruise operator with a market share of 5.8 per cent.

Net assets at June 30 were L450bn and total debts amounted to L900bn, but the company says it is owed L200bn of EU and Italian government funding.

Turnover is estimated at L1,100bn, up 15 per cent on last year. Net consolidated profits are expected to exceed last year's L48.4bn.

The company has been controlled by a shareholders' pact covering 56.9 per cent of the equity. The largest holder with about 30 per cent, is the Il Ponte family holding company of Mr Nicola Costa, who will remain chairman.

If the deal goes through, Airtours and Carnival will share the £181m cash payment equally and run the company as a joint venture with its headquarters in Genoa.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Acatos & Hutcheson	Yr to Sept 29	281.9	(294.5)	7.56♠	(7.57)	14.6	(12.2)	6.5	Apr 7	5.5	10	9
Armour Trust	6 mths to Nov 1	17.7	(19.9)	0.539♠	(1.33)	0.7	(2.5)	0.65	May 6	0.48	-	2.02
Asda	28 wks to Nov 9	3,462	(3,044)	232.4♥	(138.3)	6.57	(3.51★)	0.81	Apr 2	0.72	-	2.65
Essor	6 mths to Sept 30	7.83	(8.01)	0.006♠	(0.352)	nil	(1)	0.2	Jan 29	0.2	-	0.46
Jones & Shipman	6 mths to Sept 30	9.4	(8.9)	0.609	(0.619)	2.2	(2.1)	0.5	Feb 28	nil	-	1
London Merchant	6 mths to Sept 30	17.8□	(18.8□)	15.1♥	(25.8♥)	3.69	(7.58)	0.8	Jan 30	0.8	-	4.6
Loades	Yr to Sept 30	17.1	(17.1)	0.524♠	(0.375)	7.58	(1.75)	1	Feb 5	1	1	1
MSM	6 mths to Sept 30	60.8	(54.4)	75.7L♠	(2.52)	129L	(3.9)	nil	-	1.5	-	1.5
Stewart & Wight	6 mths to Sept 30	0.25□	(0.233□)	0.219	(0.181)	8.4	(7.85)	-	-	-	-	150
Tring	6 mths to Sept 30	10.4	(12.8)	2.41L♠	(1.45)	4.25L	(2.13)	nil	-	1.42	-	4.25
Warner Estate	Yr to Sept 30	23.1	(14.2)	10.1♥	(8.56♥)	15.92	(13.85)	8.2	Apr7	7.9	12.2	11.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Emerg Econ	Yr to Sept 30	94.69	(82.87)	0.186	(0.388)	0.33	(0.78)	0.4	Feb 19	0.4	0.4	0.4
Edinburgh Japan	6 mths to Nov 30	145	(165)	0.035	(0.026L)	0.11	(0.25L)	-	-	-	-	nil
Murray Split	3 mths to Nov 30	243.2	(233.7♦)	0.141	(0.23)	1.3	(2.9)	2.9	Apr. 3	2.75	-	11.4
Ptarmigan Intl	6 mths to Nov 30 ★	303.2	(276)	0.124	(0.071)	2.53	(1.45)	1.9	Jan 23	1.8	-	3.7
Schroder Income	3 mths to Nov 30	-	(-)	-	(-)	-	(-)	1.05	Jan 31	1	-	4.5
Welsh Industrial	6 mths to Oct 5	288.2	(250.8)	0.04	(0.027)	2.83	(2.02)	-	-	-	-	4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★Restated. □Gross rental income. ♦At August 31. ★Comparatives restated.

Rank shares fall on statement

By Scheherazade Daneshkhu

Shares in the Rank Group lost 6 per cent of their value yesterday, after the company issued a trading statement which fell well below market expectations.

The diversified leisure group was the worst performer in the FTSE 100 after its shares fell 25½p to 416½p.

Mr Andrew Teare, chief executive since April, said that growth in operating profits in the first half would be broadly maintained in the second half ended December 30.

Analysts said that since this included profits from acquisitions, it implied that growth in the second half on a like-for-like basis would be below the 12 per cent achieved in the seasonally less important first half.

Mr Andrew Hunter, leisure analyst at ABN Amro Hoare Govett said: "The share price carried a lot of expectation for Andrew Teare, but since he's taken over it's reflected a lot of disappointment... it's not going to be easy to turn it around in a short time."

Analysts downgraded profits forecasts by about 5 per cent to between £295m and £305m ($509m).

They were also disappointed over the performance of Hard Rock, widely regarded as Rank's strongest asset and growth opportunity. Operating profits at existing Hard Rock cafés – before the acquisition in June of outlets Rank did not control – would be "slightly lower" than in 1995.

Exceptional items will include £35m for restructuring costs and a £150m property write-down.

Rank also announced £145m of disposals. Shearings, the coach holiday business, has been sold for £83m, while Kingston Plantation, a timeshare resort in South Carolina, was sold for £30m.

NOTICE OF CHANGE OF AGENT

NOTICE IS HEREBY GIVEN in respect of the following bond issues:

ABRIL S.A.
U.S.$100,000,000
12% Notes due 2005

ARACRUZ CELULOSE S.A.
U.S.$120,000,000
10.375% Notes due 2002

BANCO ABC – ROMA S.A.
U.S.$50,000,000
8.125% Notes due 1997

BANCO BAMERINDUS DO BRASIL S.A.
acting jointly and severally with
BAMERINDUS LEASING ARRENDAMENTO MERCANTIL S.A.
U.S.$50,000,000
11% Notes due 1997
U.S.$250,000,000
Floating Rate Notes due 1997
U.S.$100,000,000
11% Notes due 1997

BANDEIRANTES PARTICIPACOES E ADMINISTRACAO S.A.
U.S.$20,000,000
10.5% Step-Up Notes due 2004

BANCO BANDEIRANTES S.A.
U.S.$50,000,000
12% Notes due 1997

BANCO BANORTE S.A.
U.S.$10,000,000
10.15% Notes due 1997

BANCO BBA CREDITANSTALT S.A.
DEM 150,000,000
8.5% Currency Constraint Notes of 1995 due 1998

BANCO CREDIBANCO S.A.
U.S.$30,000,000
10.5% Notes due 1997

BANCO DE BOSTON S.A.
U.S.$80,000,000
Floating Rate Notes Guaranteed as to Commercial Risk due 2002
U.S.$70,000,000
8% Notes Guaranteed as to Commercial Risk due 2001

BANCO DO NORDESTE DO BRASIL S.A.
Yen 5,000,000,000
7.7% Bonds due 2002

BANCO J.P. MORGAN S.A.
U.S.$34,500,000
10% Brazil Limited Payment Notes due 2004

BANCO MATRIX S.A.
U.S.$50,000,000
10% Bonds due 2003
U.S.$50,000,000
10% Notes due 2003

BANCO PAULISTA S.A.
U.S.$2,500,000
10% Notes due 1997

BANCO REAL S.A.
U.S.$100,000,000
10.25% Notes due 1997
U.S.$120,000,000
Step-Up Fixed Rate Notes due 2001

BANCO SUDAMERIS BRASIL S.A.
U.S.$30,000,000
9.25% Notes due 1997
U.S.$10,000,000
9.375% Notes due 1998
U.S.$60,000,000
10.125% Notes due 1997
ITL 65,000,000,000
13.5% Currency Constraint Notes due 1999

BANCO VOTORANTIM S.A.
U.S.$20,000,000 Principal Amount
8.5% Fixed Rate Notes due December 23, 1996

BFB LEASING S.A. ARRENDAMENTO MERCANTIL
U.S.$20,000,000
8% Bonds due 1996 to 1997

CEPO OVERSEAS LTD
U.S.$15,510,000
10.5% Fixed Rate Notes due March 31, 1997
U.S.$34,490,000
10.5% Fixed Rate Notes due 1997

CIBA GEIGY QUIMICA S.A.
U.S.$50,000,000
8.875% Notes due 1997

CIMENTO TUPI S.A.
U.S.$25,000,000
Floating Rate Notes due 1996-1998

CONSTRUTORA NORBERTO ODEBRECHT S.A.
U.S.$50,000,000
Guaranteed Floating Rate Notes due 1997

COMPANHIA REAL DE ARRENDAMENTO MERCANTIL
U.S.$50,000,000
Global Promissory Note due July 12, 2004

COPENE – PETROQUIMICA DO NORDESTE S.A.
U.S.$100,000,000
9.7% Notes due 2001

FAIRWAY FILAMENTOS S.A.
U.S.$50,000,000
Guaranteed Step-Up Fixed Rate Notes due 2001

INTERGLOBE FINANSUL S.A.
U.S.$12,570,000
Guaranteed Notes due December 1995

ITAMARATI LEASING ARRENDAMENTO MERCANTIL S.A.
U.S.$2,000,000
9% Bonds due 2002

KLABIN FABRICADORA DE PAPEL E CELULOSE S.A.
U.S.$80,000,000
12.125% Guaranteed Step-Up Notes due 2002

LOJAS AMERICANAS S.A.
U.S.$150,000,000
11% Bonds due 2004

MATRIX PARTICIPACOES E ADMINISTRACAO S.A.
U.S.$5,000,000
10% Notes due 2003

MULTI BANCO S.A.
U.S.$150,000,000
Floating Rate Notes due 1998
U.S.$50,000,000
Floating Rate Notes due 1997

PROUDTEL LTDA
U.S.$60,000,000
10.43% Secured Notes due 2001

RIOCELL S.A.
U.S.$50,000,000
12.5% Bonds due 2002

TELECOMUNICACOES BRASILEIRAS S.A. – TELEBRAS
ITL 350,000,000,000
13% Notes due 1999

and in respect of securities issued under the following programmes:

BANCO ABC – ROMA S.A.
U.S.$50,000,000
Euro Commercial Paper Programme

BANCO ABN AMRO S.A.
and
ABN AMRO ARRENDAMENTO MERCANTIL S.A.
U.S.$250,000,000
Medium Term Note Programme

BANCO ABN AMRO S.A.
Euro Medium Term Note Programme

BANCO AGF BRASEG S.A.
U.S.$150,000,000
Euro Medium Term Note Programme

BANCO BAMERINDUS DO BRASIL S.A.
acting jointly and severally with
BAMERINDUS LEASING ARRENDAMENTO MERCANTIL S.A.
U.S.$1,000,000,000
Medium Term Note Programme

BANCO BOAVISTA S.A.
U.S.$100,000,000
Euro Medium Term Note Programme

BANCO BRASEG S.A.
Euro Medium Term Note Programme

BANCO CREDIBANCO S.A.
Euro Medium Term Note Programme established April 9, 1996
Euro Medium Term Note Programme established September 21, 1993

BANCO DE INVESTIMENTOS GARANTIA S.A.
U.S.$50,000,000
Euro Commercial Paper Programme
Euro Medium Term Note Programme

BANCO ITAMARATI S.A.
U.S.$300,000,000
Euro Medium Term Note Programme

BANCO REAL S.A.
U.S.$100,000,000
Short Term Note Programme

BANCO SOGERAL S.A.
U.S.$200,000,000
Limited Recourse Euro Medium Term Note Programme

BANCO SRL S.A.
and
SRL OVERSEAS CORPORATION (BAHAMAS) LTD
U.S.$200,000,000
Euro Commercial Paper and Euro Medium Term Note Programme

BANCO SUDAMERIS BRASIL S.A.
U.S.$200,000,000
Euro Medium Term Note Programme

BANCO VOTORANTIM S.A.
Euro Medium Term Note Programme

BANQUE EUROPEENNE POUR L'AMERIQUE LATINE (BEAL) S.A.
and
BEAL CAYMAN LIMITED
Brazil Linked U.S.$200,000,000
Euro Medium Term Note Programme

BCN LEASING – ARRENDAMENTO MERCANTIL S.A.
U.S.$150,000,000
Euro Medium Term Note Programme

BOMPREL S.A.
Global Commercial Paper Programme

CIA HERING
Global Commercial Paper Programme

CIMENTO CAUE S.A.
U.S.$100,000,000
Global Medium Term Note Programme

OPC COMPANHIA PETROQUIMICA CAMACARI
U.S.$100,000,000
Dollar Dominated Short Term Promissory Notes Programme

DEUTSCH – SUDAMERIKANISCHE BANK AG
U.S.$150,000,000
Euro Medium Term Note Programme

ECISA – ENGENHARIA COMERCIO E INDUSTRIA S.A.
U.S.$15,000,000
Euro Commercial Paper Programme

EXCEL BANCO S.A.
U.S.$150,000,000
Euro Medium Term Note Programme

FIBRA LEASING S.A. ARRENDAMENTO MERCANTIL
Euro Medium Term Note Programme

INTERNATIONALE NEDERLANDEN BANK N.V.
(acting through its Sao Paulo Branch)
[illegible]
Global Medium Term Note Programme

LLOYDS BANK PLC
(acting through its Brazilian Branch)
U.S.$300,000,000
Brazil Related Global Medium Term Note Programme

LOJAS AMERICANAS S.A.
U.S.$100,000,000
Euro Commercial Paper Programme

MAPPIN LOJAS DE DEPARTAMENTOS S.A.
U.S.$350,000,000
Euro Commercial Paper Programme

METODO ENGENHARIA S.A.
U.S.$50,000,000
Euro Commercial Paper Programme

MORGAN STANLEY DO BRASIL LTDA
Brazil Related Euro Medium Term Note Programme

ODEBRECHT OVERSEAS LTD.
[illegible]
Euro Commercial Paper Programme

PONTUAL LEASING S.A. ARRENDAMENTO MERCANTIL
U.S.$100,000,000
Global Short Fixed Term Rate Note Programme

TEKA – TECELAGEM KUEHNRICH S.A.
Global Commercial Paper Programme

THAT, following the merger of The Chase Manhattan Bank, N.A. and Chemical Bank, Chemical Trust & Banking Co., Ltd. (Japan) was appointed as the successor Principal Paying Agent, Principal Paying Bank, Fiscal Agent or Disbursement Agent, as the case may be, to Chase Manhattan Trust & Banking Co., (Japan) Ltd.
AND THAT with effect from November 1, 1996, Chemical Trust & Banking Co., Ltd. (Japan) changed its name to Chase Trust Bank.
The address of Chase Trust Bank is:

18th Floor, Akasaka Park Building
2-20, Akasaka 5-chome, Minato-ku
Tokyo 107, Japan

CHASE

Chase Trust Bank

December 20, 1996

CONTRACTS & TENDERS

ÁPV RT.
HUNGARIAN PRIVATIZATION AND STATE HOLDING COMPANY

INVITATION TO BID

The Hungarian Privatization and State Holding Company (hereinafter: Caller or ÁPV Rt.) invites a one round open tender for the purchase of the state-owned registered shares guaranteeing equal shareholders' rights representing 87,69 percent ownership share with par value of HUF 701,550,000 of Bakony Fűszért Rt., (hereinafter: Company) / 8000 Székesfehérvár, Sóstó Repülőtér, (Trade Registry no.: 07-10-001034/04) established under Act XIII. of 1989.

Registered capital of the Company: HUF 800,000,000
Equity of the Company: HUF 1,219,435,000

Ownership structure:

ÁPV Rt.	HUF	739,810,000	92,48 percent
Dominancia Váltó Kft.	HUF	40,000,000	5,00 percent
Local governments	HUF	20,190,000	2,52 percent

2. Bids can only be submitted for the whole share package.

3. Bids shall be submitted to the address specified below in a closed unmarked envelope in five copies in Hungarian. Foreign bidders are allowed to submit their bids also in English or in German, but even in this case the Hungarian version will rule.

Bids shall be submitted in person or by a proxy in the presence of a notary public within the specified time.

The following text must be written on the envelope:

"PÁLYÁZAT: BAKONY FŰSZÉRT RT."

4. The bidder shall mark the original copy with the inscription "EREDETI". If the bidder fails to do this, the Caller will choose one from the copies submitted which further on will function as the original. Should there be any discrepancies among the copies the copy so marked shall rule.

5. Deadline for submission: February 5. 1997, between 12.00 and 14.00 hours
Place of submission: ÁPV Rt., H-1133 Budapest, Újpesti rkpt. 31-33. 8th floor, room 807

6. At least 80 percent of the purchase price is to be paid in cash, the remaining sum can also be paid by cash or compensation coupons. The deadline for the payment in full of the purchase price cannot be longer than 30 days. The Caller will not accept deferred payment or payment in installments.

Foreigners can only bid in currences accepted as convertible by the National Bank of Hungary (MNB), taken into account by the Caller at the effective foreign exchange purchase rate officially published by MNB at the time of the submission deadline. Neither foreign private individuals, nor economic associations in majority foreign ownership registered in Hungary are allowed to pay in compensation coupons. Foreigners can only use compensations coupons acquired in their own right. Compensation coupons are taken into account by the Caller at a rate of 174,2%.

7. Bidders shall undertake to maintain their bids for 120 (one hundred and twenty) days from the submission deadline.

8. To prove their intention to purchase bidders shall pay or transfer HUF 10,000,000 (ten million) as retention money until the submission deadline to the account opened for this purpose by ÁPV Rt. with MKB (Hungarian Foreign Trade Bank) specified in the detailed tender invitation. The Caller shall dispose of this sum in line with the rules on retention money.

9. Following the evaluation the final decision is taken by the Caller. The Caller reserves the right to declare the tender unsuccessful.

10. The detailed tender invitation and the information memorandum containing the most important [illegible] point of view of the bid prepared by the Company constitute an integral part of the present tender [illegible]. The purchase of the information memorandum including also the detailed tender invitation for HUF 20,000 + VAT [illegible] Customer Service of ÁPV Rt. against a declaration of confidentiality is subject to submitting bids. The tender documents [illegible] be purchased by the bidder (in case of a consortium, by one of the members) personally or through a proxy directly from the Caller, which the [illegible] by issuing a certificate.

The proxy shall attest his power of representation or the extent of his power [illegible] private contract having full conclusive force. The existence of the mandate [illegible] Customer [illegible]

11. Information on the tender, as well as on the major data and characteristics of the [illegible]

Information concerning the Company:
CEO Mr. István Nagy on the premises of the Company
Tel.: (36-22) 316-410
Information concerning the tender:
Portfolio manager Mrs. Both, Zsuzsa Kellner
Address: ÁPV Rt.
Tel.: (36-1) 269-8600, ext.: 2195

This announcement appears as a matter of record only

US$300,000,000

LIPPOLAND

Lippo Land Development International Finance Company B.V.

(Incorporated with limited liability under the laws of The Netherlands with corporate seat in Amsterdam, The Netherlands).

Guaranteed Asian Currency Note Programme
Due from two years to 10 years from the date of original issue

Guaranteed jointly and severally by
PT Lippo Land Development
and
PT Lippo Cikarang
and severally and to a limited extent by
PT Lippo Karawaci Tbk
(each established with limited liability in the Republic of Indonesia)

Arranger
Bear Stearns Asia Limited

Dealers
Bear Stearns Asia Limited **BT Asia limited**
Peregrine Fixed Income limited **Salomon Brothers International Limited**
Sumitomo Finance (Asia) Limited

Indonesian Financial Advisor
Lippo Securities

December 1996

INTERNATIONAL CAPITAL MARKETS

US Treasuries' rally lifts Europe

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar in London

New signs of weakness in the economy and a rise in the dollar helped US Treasuries post gains ahead of the afternoon auction of five-year notes. The rally helped European markets to rise from their lows, although short-term rates were generally unchanged – or even slightly higher in some markets.

Near midday in New York, the benchmark 30-year Treasury had added [illegible] at 97[illegible] to yield 6.652 per cent while at the short end of the maturity spectrum existing two-year notes were 1/32 stronger at 99[illegible] yielding 5.851 per cent. The March 30-year bond future rose ½ at 112[illegible].

Bonds were cheered by higher-than-expected weekly figures on the number of new claims filed for unemployment benefits and by a report from the Federal Reserve Bank of Philadelphia showing weakness in the region's manufacturing sector.

The Treasury market was also supported by a rise in the value of the dollar sparked by a narrowing of the US trade deficit. The Commerce Department reported that the deficit shrank to $8bn last month from $11.4bn in October. Most economists had forecast the deficit to be closer to $10.5bn.

By early afternoon the US currency was changing hands for Y113.97 and DM15541, compared with Y113.70 and DM1.5516 late on Wednesday.

Mr Joseph Liro, of CIBC Wood Gundy, expressed surprise that the market rallied after the release of the trade news despite its indications of stronger-than-expected economic activity.

"In the long run, if the trade data are confirmed by subsequent trade reports, then the market must rethink its slow growth scenario and come around to our more optimistic view of the US economy," he said.

There was some worry in the market about new supply set to come on to the market after the Treasury's afternoon auction of $12.5bn in five-year notes.

Long-term European bonds rose in the wake of the US market, resulting in a flattening of yield curves. The March bund future traded on Liffe gained 0.30 to close at 100.32, while the three-month euromark contract fell by 0.03 to 96.85.

Some analysts said that the Bundesbank's decision to lower its target range for M3 monetary growth to 3.5-6.5 per cent, from 4-7 per cent, would make it easier to justify future rate rises, as the aggregate was now more likely to overshoot.

However, economists at Bankers Trust said German interest rates were likely to remain low until the economic recovery found a firmer footing.

"Given the fragility of the domestic economy, the recovery will continue to depend on an accommodative monetary policy," Bankers Trust said.

UK gilts also managed to close higher on the back of stronger US Treasuries. Liffe's March long gilt future settled at 109[illegible], up ¾. The contract had sunk in early trading to a low of 108¼, following the release of data showing that the M4 monetary aggregate had grown by 1.1 per cent in November, against expectations of a 0.8 per cent rise.

"The [monetary data] coming on the back of this week's robust retail sales and labour market data, the odds have increased in favour of a rate rise in January", ABN Amro Hoare Govett said. Liffe's March short sterling future closed 0.02 lower at 93.26.

"On a relative basis, gilts are still cheap, especially in the five-year area of the curve, where gilts yield 280 basis points more than French OATs," said Mr Kirit Shah, chief market strategist at Sanwa International.

Croatia tests water with kuna issue

INTERNATIONAL BONDS

By Anthony Robinson and Conner Middelmann

Croatia, which is expected to raise $250m through an inaugural eurobond issue early next year, has tested the water with the successful syndication in both domestic and international markets of its first medium-term kuna bond issue.

The two-year, K300m bearer bonds carry a 12.5 per cent coupon and were issued at a price of 98.5 per cent. This compares with the 13 per cent interest rate offered on the latest issue of K22m of 91-day treasury bills earlier this week.

Lead managers for the new bond issue were Merrill Lynch International and Zagrebacka Banka.

The issue marks a significant step forward in the development of the domestic capital market, which until now has been limited to short-term treasury bills up to a maximum of three months.

The Ministry of Finance said it intended to follow up next year with bigger issues and longer maturities, aimed at domestic retail investors.

International investors are expecting the inaugural eurobond to be announced early next year.

Timing hinges on a rating from the international rating agencies. Both Standard & Poor's and Moody's Investor Services are currently preparing a rating, which is expected before the end of the year.

The International Monetary Fund, which has just completed a mission to Zagreb, also expects to approve a $450-$500m three-year extended fund facility next year, provided the government pushes ahead with plans to privatise the banking system and keeps a tight rein on inflation.

Economic growth is expected to slow from nearly 10 per cent in 1996 to 5 per cent next year, with inflation at 3-4 per cent.

Meanwhile, the eurobond market was quiet, with most activity consisting of private placements and issues targeted at Japanese retail investors.

The exception was an issue of $250m of so-called capital securities – a form of preferred securities structured as floating rate notes – for BTC Capital Trust, a special-purpose vehicle.

"This is a new instrument which lies somewhere between subordinated floating-rate notes and perpetual debt – but with a yield much closer to the latter," said an official at lead manager Bear Stearns.

The notes have a 30-year maturity but are callable after 10 years, and yield 90 basis points over the London interbank offered rate at the re-offer price.

Bear Stearns reported good sales to Asian and European institutions.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
GTFC, 96-D, Class A1(a)★‡	280.779	(a1)	100.00R	Dec 2022	0.40R	-	Merrill Lynch
BTC Capital Trust 1(b)‡	250	(b1)	99.0221R	Dec 2026	0.875R	-	Bear Stearns Intl
Eksportfinans★	90	5.32#	100.00	Jan 2000	1.20	-	IBJ Intl/New Japan Secs
Rabobank Nederland(c)★	50	(c1,e)	100.25	Dec 2001	0.25	-	DKB International
GUILDERS							
Batavia Credit Card Corp(d,e)	100	6.125	100.08R	Dec 2006	0.325R	+36(6%Jan06)	Morgan Stanley & Co Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Green Tree Financial Corp. Recreational, Equipment & Consumer Trust. Average life: 2.26 yrs. a1) 1-mth Libor +20bp. a2) Class A1 HE: $30.82m, 6.90% (paid monthly), 99[illegible]R, av life 4.12 yrs. Class A2: $15.2m, 1-mth L +32bp, parR, 2.26 yrs. Class A3: $15.2m, 1-mth L +41bp, parR, 2.26 yrs. Class A4: $12.35m, 1-mth L +56bp, parR, 2.26 yrs. b) Callable from Dec 06 at par. b1) 3-mth Libor +75bp. c) Callable from Dec 99 at par. c1) 6-mth Libor +30bp; max 6.80%. d) Fl 600m launched Wednesday was increased to Fl 700m. e) Short 1st coupon.

Syndicated loans still finding favour

By Conner Middelmann and Richard Lapper

Bankers have completed three jumbo deals in their last few transactions, underlining the continued buoyancy of the syndicated loans market.

The latest deal to have been launched in the UK is a £1.25bn term and revolving credit facility for Entergy Power, the US utility whose £1.3bn takeover offer for London Electricity was agreed on Wednesday.

The facility has been jointly underwritten by ABN Amro Bank, Union Bank of Switzerland and Bank of America.

Pricing terms are expected to become available once the arrangers approach sub-underwriters in the new year, before the deal goes into general syndication.

Another new jumbo deal is a $2.1bn seven-year facility for Imperial Chemical Industries, which marks the chemical company's return to the loans market after a 10-year absence. ICI had been relying mostly on bilateral bank loans.

The transaction is intended to replace existing bi-lateral arrangements and is for general corporate purposes. About half the facility will be repaid after five years; the rest will run to maturity. Arrangers HSBC and NatWest Markets have enlisted BZW, Chase, Deutsche Bank and UBS as co-arrangers, and will approach a small group of relationship banks for general syndication.

The facility pays a margin of 12.5 basis points over Libor in the first five years, rising to 15 points in years six and seven. In addition, there is a 2.5 basis point utilisation fee if ICI draws more than half of the line. The commitment fee is set at 6.25 basis points, rising to 7.5 in the final two years.

Some bankers felt pricing was on the tight side. "The pricing looks more appropriate for the old ICI than the new ICI minus Zeneca," said one banker.

Nevertheless, he said, the rarity value of the facility, the borrower's "tremendous name appeal" and the opportunity for banks to forge a deeper relationship with this UK blue-chip company ensured that it would get done smoothly.

Finally, Credit Suisse and Industrial Bank of Japan yesterday closed a $1.35bn project financing for the Ras Laffan Liquefied Natural Gas Company in Qatar. The money will supplement $1.2bn raised from a bond issue, underlining the growing tendency for developers to raise funds for project finance from the capital markets as well as from banks.

Ras Laffan's shareholders – the Qatar General Petroleum Corporation (70 per cent) and Mobil QM (30 per cent), a wholly-owned subsidiary of Mobil Corporation – are developing the project, which is expected to cost a total of $3.4bn.

The size of the bond was increased from an originally anticipated $400m, leading to a corresponding reduction in the size of the planned bank facility. Credit Suisse and IBJ were joint-leads and joint bookrunners, but a total of 25 international and regional banks underwrote the $450m commercial bank element of the deal.

Other arrangers were Arab Petroleum Investment Corporation, Crédit Lyonnais, Mediocredito Centrale, Sakura Bank and Société Générale. The deal also counts on the support of three export credit agencies: Eximbank provided $465m; the Export Credit Guarantee Department (ECGD) provided $250m; and SACE, the Italian agency, provided a further $185m. The loan has a maturity of 13½ years.

Goldman Sachs and Credit Suisse First Boston underwrote the bond, which was launched last week and closed simultaneously with the bank and ECA facilities.

Separately, Chase Investment Bank and NatWest Markets this week announced the completion of the underwriting phase for a £325m secured credit facility for Yorkshire Cable, which provides cable TV and telephone services in the North of England. As well as Chase and NatWest, the underwriters are Banque Paribas, CIBC Wood Gundy, Robert Fleming and Toronto Dominion Bank.

Meanwhile, the stream of new transactions shows no sign of abating. "The easiest prediction for 1997 is that it will get off to a frantic start," said a banker.

In addition to ICI's deal, the UK market expects a £1bn transaction for British Gas Energy and £1.2bn resulting from the expected demerger of Gallaher, the tobacco company, from American Brands. On the international front, France Télécom is expected shortly to award the mandate for a transaction expected to total between $1bn and $1.5bn.

Other project financings expected early next year include an estimated £700m deal for Teeside Power; an $850m transaction for the Ibn Rushd petrochemical project in Saudi Arabia; an estimated $1bn for Isab Energy to finance an Italian power project; and an estimated DM1.6bn loan for the refinancing of the Pego power station in Portugal.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	94.8820	−0.270	7.49	7.38	7.22
Austria		6.875	07/06	99.7000	+0.220	5.91	5.97	5.97
Belgium		7.000	05/06	107.8500	+0.150	5.95	6.03	6.09
Canada *		7.000	12/06	103.0500	+0.250	6.58	6.51	6.19
Denmark		8.000	03/06	109.1000	+0.080	6.64	6.73	6.88
France	BTAN	5.500	10/01	103.4411	+0.042	4.69	4.75	4.90
	OAT	6.500	10/06	105.0700	+0.110	5.81	5.86	6.01
Germany Bund		6.250	04/06	102.8400	+0.270	5.84	5.85	5.92
Ireland		8.000	08/06	108.4000	+0.130	6.78	6.92	6.92
Italy		9.500	02/06	113.3900	+0.280	7.45†	7.80	7.80
Japan	No 149	6.300	09/01	121.8659	+0.205	1.37	1.40	1.67
	No 182	3.000	09/05	104.5259	+0.378	2.38	2.47	2.71
Netherlands		8.500	06/06	119.2200	+0.230	5.79	5.87	5.87
Portugal		9.500	02/06	116.4600	+0.080	7.00	7.04	7.37
Spain		8.800	04/06	111.8600	+0.290	7.01	7.11	7.55
Sweden		8.000	08/07	108.2803	−0.310	6.87	6.99	7.31
UK Gilts		8.000	12/00	103-17	+3/32	7.28	7.21	7.23
		7.500	12/06	98-06	+11/32	7.62	7.68	7.67
		9.000	10/08	110-00	+13/32	7.70	7.76	7.78
US Treasury *		6.500	10/06	100-22	−1/32	6.40	6.37	6.27
		6.500	11/26	98-00	−4/32	6.65	6.61	6.58
ECU (French Govt)		7.000	04/06	105.7500	+0.120	6.16	6.24	6.31

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.87
Prime rate	8¼	Two month	-	Three year	5.99
Broker loan rate	7	Three month	5.01	Five year	6.15
Fed.funds	5[illegible]	Six month	5.26	10-year	6.40
Fed.funds at intervention	-	One year	5.51	30-year	6.64

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.30	128.52	+0.06	128.54	128.12	87,358	125,217
Jun	127.04	127.26	+0.06	127.04	127.00	16	8,248
Sep	125.04	125.26	+0.06	125.04	125.04	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	Feb	Mar	PUTS Jan	Feb	Mar
126	2.63	-	2.83	0.01	0.14	0.33
127	1.53	1.81	2.06	0.01	0.29	0.55
128	0.62	1.10	1.39	0.10	0.56	0.87
129	0.10	0.56	0.87	0.58	1.06	1.35
130	0.01	0.24	0.48	1.49	1.71	1.95

Est. vol. total, Calls 16,192 Puts 8,084 . Previous day's open int., Calls 123,[illegible] Puts 169,344.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.86	100.32	+0.30	100.36	99.84	89868	221435
Jun	99.22	99.43	+0.30	99.22	99.22	20	251

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
10000	0.35	0.61	1.12	1.18	0.03	0.49	0.80	1.75
10050	0.04	0.54	0.85	0.97	0.22	0.72	1.03	2.04
10100	0.02	0.32	0.82	0.78	0.70	1.00	1.30	2.36

Est. vol. total, Calls 12817 Puts 8341. Previous day's open int., Calls 201544 Puts 184913

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	128.40	128.72	+0.22	128.80	128.24	22383	89181
Jun	-	128.26	+0.22	-	-	0	1320

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	Jun	PUTS Mar	Jun
12850	1.82	2.60	1.60	2.86
12900	1.60	2.37	1.88	3.12
12950	1.37	2.16	2.15	3.41

Est. vol. total, Calls 2464 Puts 880. Previous day's open int., Calls 108713 Puts 78118

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.92	111.30	+0.29	111.40	110.85	61,390	76,620
Jun	110.99	111.01	-0.02	110.99	110.99	402	–

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-14	109-27	+0-13	109-28	109-13	350	3646
Mar	108-20	109-02	+0-12	109-08	108-17	31788	133130

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
109	0-12	1-04	1-30	2-01	0-08	1-00	1-26	2-41
110	0-01	0-39	1-00	1-39	0-61	1-35	1-60	3-15
111	0	0-21	0-41	1-16	1-60	2-17	2-57	3-55

Est. vol. total, Calls 2248 Puts 1181. Previous day's open int., Calls 38079 Puts 28184

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.02	95.16	+0.06	95.18	94.90	1,772	6,215

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	112-09	112-28	+0-14	113-00	112-09	22,253	29,707
Mar	112-01	112-16	+0-14	112-20	111-27	257,650	434,738
Jun	111-15	112-00	+0-17	112-03	111-13	530	14,970

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	125.97	-	-	126.17	125.97	981	n/a
Jun	124.71	-	-	124.71	124.71	25	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Dec 18	Day's change %	Tue Dec 17	Accrued interest	xd adj. ytd		Low coupon yield Dec 18	Dec 17	Yr. ago	Medium coupon yield Dec 18	Dec 17	Yr. ago	High coupon yield Dec 18	Dec 17	Yr. ago
1 Up to 5 years (21)	120.64	−0.09	120.76	2.40	9.44	5 yrs	7.36	7.32	6.93	7.41	7.38	6.94	7.47	7.42	7.01
2 5-15 years (19)	147.77	0.02	147.74	2.13	11.55	15 yrs	7.80	7.82	7.68	7.79	7.80	7.73	7.73	7.77	7.80
3 Over 15 years (7)	167.23	0.14	167.00	3.48	11.85	20 yrs	7.85	7.86	7.77	7.83	7.84	7.79	7.74	7.79	7.85
4 Irredeemables (6)	191.63	−0.12	191.86	1.96	13.47	Irred.†	7.86	7.87	7.86						
5 All stocks (53)	142.99	0.00	142.99	2.62	10.97										

Index-linked							Inflation 5% Dec 18	Dec 17	Yr. ago	Inflation 10% Dec 18	Dec 17	Yr. ago
6 Up to 5 years (2)	202.63	−0.07	202.77	1.27	6.28	Up to 5 yrs	3.34	3.21	2.51	2.62	2.49	1.26
7 Over 5 years (10)	193.52	−0.28	194.07	1.63	4.71	Over 5 yrs	3.61	3.59	3.52	3.40	3.37	3.31
8 All stocks (12)	193.43	−0.26	193.93	1.59	4.89							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	Yr ago	High*	Low*
Govt. Secs. (UK)	94.03	93.81	94.06	94.04	93.71	95.38	96.34	91.69
Fixed Interest	116.17	116.10	116.27	118.30	115.94	114.34	117.82	110.74

Gilt Edged Activity Indices

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12
Gilt Edged bargains	96.4	72.9	73.1	84.5	71.6
5-day average	77.7	78.2	78.2	82.1	83.9

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Owing to technical problems yesterdays UK Gilts and Index-Linked indices are unavailable for this edition.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 19

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100	100[illegible]	−[illegible]	6.49
ABN Amro Bank 7¼ 05	1000	101[illegible]	102[illegible]		7.07
Spain 7¼ 03	4000	109	109	+[illegible]	5.49
Volkswagen Intl Fin 7 03	1000	108½	108[illegible]	+[illegible]	5.75
World Bank 5¾ 03	3000	102[illegible]	103	+[illegible]	5.38
Abbey Natl Treasury 8 03 £	1000	100[illegible]	100[illegible]	+[illegible]	7.86
British Land 8⅞ 23 £	150	95[illegible]	96	+[illegible]	8.82
Denmark 6½ 98 £	800	99[illegible]	99[illegible]	+[illegible]	7.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The remainder of the FT/ISMA International Bond Service listings (U.S. Dollar Straights, Yen Straights, Swiss Franc Straights, Other Straights, Deutsche Mark Straights, Floating Rate Notes, Convertible Bonds) is [illegible].

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Red	Price £	+ or –	52 week High	Low
Shorts" (Lives up to Five Years)							
Treas 13¼pc 1997‡‡		13.18	6.39	100[illegible]	—	107⅛	100½
Exch 10½pc 1997		10.43	6.37	100[illegible]	—	107[illegible]	100[illegible]
Treas Cnv 7pc 1997‡‡		6.98	6.47	100[illegible]	−[illegible]	101[illegible]	100[illegible]
Treas 8¾pc 1997‡‡		8.62	6.49	101½	−[illegible]	107[illegible]	101½
Treas 7½pc 2006‡‡		7.56	7.61	99[illegible]	+[illegible]	101[illegible]	94[illegible]
Treas 7¾pc 2006‡‡		7.69	7.63	100[illegible]	+[illegible]	103[illegible]	95[illegible]
Treas 8pc 2002-6‡‡		7.87	7.55	101[illegible]	−[illegible]	104[illegible]	97[illegible]
Treas 11¾pc 2003-7		9.77	7.53	120[illegible]	+[illegible]	125[illegible]	118[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked	Notes (b)	Yield (1)	(2)	Price £	+ or –	52 week High	Low
4⅝pc '98‡‡	(135.6)	0.04	2.15	113[illegible]	—	114[illegible]	111[illegible]
2½pc '01	(78.3)	2.68	3.31	184[illegible]	+[illegible]	185[illegible]	176[illegible]
2½pc '03	(78.8)	2.92	3.38	180[illegible]	+[illegible]	182[illegible]	171[illegible]
4⅜pc '04‡‡	(135.6)	3.01	3.42	117[illegible]	+[illegible]	119	112[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The remainder of the UK Gilts Prices listings (Shorts, Five to Fifteen Years, Over Fifteen Years, Undated, Index-Linked, Other Fixed Interest) is [illegible].

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rates are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Shrinking US trade gap boosts dollar

MARKETS REPORT

By Simon Kuper

The dollar rose yesterday after the US trade deficit shrank by a higher than expected 30 per cent in October, to the lowest monthly figure in seven months.

But the trade gap with Japan, which has been growing recently, rose by 31 per cent to its highest level since August 1995. US manufacturers, particularly carmakers, have recently been complaining about the strength of the dollar against the yen. But Mr Robert Rubin, US treasury secretary, has continued to back a strong dollar.

The US currency gained 0.7 pfennigs against the D-Mark to close in London at DM1.560 yesterday. Against the yen it rose Y0.4 to Y114.0. It reached a new 23-month high against the Swiss franc at SFr1.339. The Swissie also hit a new 31-month low against the D-Mark at SFr0.858, from SFr0.857 on Wednesday.

The pound softened despite strong money supply data, which helped persuade many traders that Mr Kenneth Clarke, the chancellor, would raise UK interest rates after his January 15 monetary meeting with Mr Eddie George, governor of the Bank of England.

In thin trading sterling fell 0.5 pfennigs against the D-Mark to DM2.594 and 1 cent against the dollar to $1.663. Currency strategists said that for the second time this month the pound was failing to sustain a break above resistance at DM2.60.

■ Movements in exchange rates since mid-1995 have benefited most developed economies, the Organisation for Economic Co-operation and Development said yesterday in its latest economic outlook.

The Paris-based think tank for 29 industrialised countries said the yen's effective 33 per cent depreciation since its 1995 peak was helping to sustain the Japanese economy's recovery.

The competitive position of most European exchange rate mechanism currencies within the European Union had improved, the OECD said. This was because the pound, the lira and the Swedish krona had continued to recover the ground lost in early 1995, while the D-Mark and French franc were largely unchanged in effective terms since May.

The dollar had appreciated marginally since the OECD's last report in the summer. This was becaus large rises against the yen and the Mexican peso had offset small declines against the Canadian dollar and most currencies in the ERM.

■ Another surge in the Swiss franc could keep the Swiss economy mired in its long stagnation, according to the OECD.

The organisation forecast that Switzerland's gross domestic product would resume growing in 1997, led by exports, which suffered after the Swiss franc appreciated by 19 per cent in the past four years. This year the Swiss National Bank has managed to push the Swissie sharply downwards, from its level of SFr80.50 against the D-Mark in January, by means of a loose monetary policy which is scheduled to continue into next year.

But the OECD warned that investors seeking safe havens from the uncertainty of the future single European currency could send the Swissie higher again.

■ Japan's foreign exchange transactions will probably be deregulated on April 1, 1998, said Mr Eisuke Sakakibara, director general of the Japanese finance ministry's international finance bureau, yesterday.

He said he hoped the deregulation would increase competition among banks, and promote deregulation in fields such as tax and securities transactions. Other Japanese officials said the deregulation could increase worldwide use of the yen. One aim of the move is to boost the size of the Tokyo forex market nearer to that of London and New York.

■ The Bundesbank is trying to give teeth to the stability pact agreed for Emu last week.

Mr Hans Tietmeyer, Bundesbank president, yesterday followed Mr Otmar Issing, the bank's chief economist, in saying that nations had to implement the pact strictly. The pact gives politicians more discretion than Germany would have liked on whether or not to fine countries running excessive budget deficits.

Mr Tietmeyer said yesterday: "It is very important to see how these cornerstones (of the pact) will be made more concrete."

■ Pound in New York

Dec 19	—Latest—	— Prev. close —
£ spot	1.6620	1.6750
1 mth	1.6613	1.6742
3 mth	1.6595	1.6615
1 yr	1.6442	1.6570

■ OTHER CURRENCIES

Dec 19	£	$
Czech Kr	45.5477 - 45.6078	27.4050 - 27.4250
Hungary	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	0.4978 - 0.4988	0.2995 - 0.3000
Poland	4.7550 - 4.7612	2.8610 - 2.8630
Russia	[illegible]	[illegible]
U.A.E.	6.1042 - 6.1084	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.2522	-0.0437	419 - 624	18.3450	18.2108	18.2067	2.9	18.1522	2.2	-	-	104.2
Belgium	(BFr)	53.4660	-0.1126	167 - 153	53.7170	53.3380	53.341	2.8	53.076	2.9	51.881	3.0	105.0
Denmark	(DKr)	9.9227	-0.0208	180 - 273	9.9703	9.9064	9.9026	2.4	9.8622	2.4	9.6838	2.4	106.7
Finland	(FM)	7.7432	-0.0137	360 - 404	7.7700	7.7220	-	-	-	-	-	-	84.4
France	(FFr)	8.7626	-0.0255	581 - 660	8.8033	8.7454	8.7419	2.8	8.7002	2.8	8.4954	3.0	107.8
Germany	(DM)	2.5936	-0.0062	922 - 949	2.6075	2.5870	2.5871	3.0	2.5738	3.1	2.509	3.3	108.8

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.9788	+0.0395	760 - 816	10.9980	10.9020	10.9641	1.6	10.9188	2.2	10.7235	2.3	104.2
Belgium	(BFr)	32.1600	+0.125	400 - 800	[illegible]	[illegible]	32.1	2.2	31.9725	2.3	31.4325	2.3	104.8
Denmark	(DKr)	5.9685	+0.0232	675 - 695	5.9780	5.9232	5.9596	1.8	5.9412	1.8	5.8595	1.8	106.2
Finland	(FM)	[illegible]	[illegible]	[illegible]	4.6599	4.6186	4.6488	2.3	4.6301	2.4	4.5476	2.4	84.0
France	(FFr)	5.2707	+0.0174	702 - 712	5.2807	5.2355	5.2623	1.9	5.2443	2.0	5.1687	1.9	107.3
Germany	(DM)	[illegible]	+0.0067	[illegible]	1.5625	1.5485	1.5572	2.2	1.5515	2.3	1.5265	2.2	106.4

† Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec

WORLD INTEREST RATES

MONEY RATES

December 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3 1/8	3 1/8	3 3/16	3 1/4	6.00	2.50	-
France	3 1/4	3 3/16	3 1/4	3 1/4	3 9/32	3.15	-	4.75
Germany	3 1/16	3 3/16	3 3/16	3 3/16	3 1/4	4.50	2.50	3.00
Ireland	5 3/4	5 3/4	5 7/8	6	6 1/4	-	-	6.25
Italy	7 1/2	7 1/4	[illegible]	[illegible]	6 1/4	9.00	7.50	7.39
Netherlands	2 3/4	3 1/4	[illegible]	3	3 1/4	-	3.00	3.30
Switzerland	1	2 1/4	2 1/8	2 1/8	2 1/8	-	1.00	-
US	5 1/4	5 3/8	5 1/2	5 1/2	5 5/8	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	5 1/2	[illegible]	-	-	-
US Dollar CDs	-	4.97	5.07	5.17	5.37	-	-	-
ECU Linked Ds	-	4 1/2	4 1/2	4 1/2	4 1/2	-	-	-
SDR Linked Ds	-	3 1/2	3 1/2	3 1/2	3 1/2	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	3 1/8 - 3	3 1/8 - 3	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	3 5/8 - 3 1/2	[illegible]	[illegible]	[illegible]
D-Mark	3 1/8 - 2 7/8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	3 - 2 7/8	[illegible]	[illegible] - 3	[illegible] - 3	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 - [illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	6 1/4 - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1 1/2 - 1 3/8	1 1/2 - 1 3/8	[illegible]	[illegible]	[illegible]	[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.28	0.67	0.83	0.19	0.20	0.23
9375	0.16	0.49	0.66	0.32	0.27	0.31
9400	0.08	0.35	0.50	0.49	0.38	0.40

Est. vol. total, Calls 2863 Puts 317. Previous day's open int., Calls 87419 Puts 48444

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	•Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Singer & Friedlander	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	•Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	•Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	•Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	•Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
•Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00	• Members of London Investment Banking Association	
Clydesdale Bank	6.00	•Leopold Joseph & Sons	6.00	* In administration	
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
		*Mount Credit Corp	6.25		

APPOINTMENTS

COMMODITIES AND AGRICULTURE

Philippines acts to resuscitate mining sector

By Justin Marozzi in Manila

The Philippine government yesterday passed new amendments to mining legislation, designed to resuscitate the industry after one of its worst years.

The revised provisions were introduced after a serious accident earlier this year, when Marcopper, a local company 40 per cent owned by Placer Dome of Canada, leaked 20m cubic metres of tailings (waste) into a river from its copper mill in Marinduque, on Boac island. As a result, all but two of the 70 applications from foreign mining companies for exploration licences were frozen.

It was a significant setback to the sector, which was only opened up to 100 per cent foreign-owned companies the previous year. Mining receipts have since dwindled to 4 per cent of Philippine exports for the first three quarters of 1996, from 25 per cent 10 years ago.

The new revisions, which follow six months of consultation, include a stipulation that companies allocate 10 per cent of initial costs for environmental improvements.

They will also have to set aside a further 3-5 per cent of mining and milling costs for an environmental protection programme that is likely to be audited annually.

An annual payment of at least 1 per cent of mining and milling costs must also be paid towards "the development of the host and neighbouring communities". The fine payable in the event of spillages is raised from 10 centavos a tonne to 50 pesos (about US$2).

Mr Victor Ramos, secretary of state for the environment, said the new rules introduced the concept of sustainable mining which was "economically productive and environmentally friendly".

"The mining companies will really have to do a quality job now," he said.

Other requirements include a minimum investment of $50m for infrastructure and development, and an increase in the capitalisation requirement from $1m to $4m prior to exploration.

Representatives of foreign mining companies, who had been fiercely critical of the proposed changes earlier this year, gave a cautious welcome to the revised act.

"This is definitely a step in the right direction, but it is not going to resolve all the issues," said Mr Malcolm Norris, chairman of the International Mining and Exploration Committee. "We must now face the reality of dealing with the financial or technical assistance agreements."

FTAAs, where companies are licensed to explore up to 81,000 hectares at a per-hectare fee, can only be granted after the government has decided on the precise fiscal regime to be employed, including important issues such as revenue-sharing and taxation levels.

One mining executive said the revised act was "dodging the main issue. It makes no mention whatsoever of the fiscal regime".

Mr Horacio Ramos, director of the mines and geosciences bureau, said there were about 100 applications waiting to be processed.

Of these, seven were ready to be approved for FTAAs in February, subject to negotiation, which would pave the way for the long-awaited return to activity.

CBOT ordered to revamp contracts

By Laurie Morse in Chicago

The Commodity Futures Trading Commission, the chief US futures market regulator, yesterday ordered the Chicago Board of Trade to take immediate action to revamp its delivery system for grain and soyabean futures contracts, to limit the potential for market manipulation.

The CBOT's grain futures contracts, the world's busiest, are contracts for physical delivery, mainly in the Chicago area.

The contract design has become outdated as the flow of grain in the US bypasses Chicago. Only a handful of registered warehouses remain, with capacity for deliverable grain supply in the Chicago area limited to about 14.7m bushels.

The threat of physical delivery is one of the main elements that discourages traders from attempting to "corner" or "squeeze" a commodity futures market.

Both the CFTC and the CBOT have responded to the deteriorating delivery situation by increasing market surveillance, particularly when contracts are expiring.

The CBOT has tried repeatedly during the past five years to revise its contract delivery rules, but members have resisted. Its most recent proposal was rejected in a members' ballot in October.

The Commission is now ordering a rule revision. It said that if the CBOT failed to come up with "appropriate changes" for its maize and soyabean contracts within 75 days, it would exercise its right to dictate new rules for the exchange. The CBOT was given 120 days for the wheat futures contracts.

To emphasise the seriousness of the issue, the CFTC has halted new contract listings at the CBOT until delivery specifications are revised.

The CBOT said that the exchange "is eager for a solution as soon as is practicably possible."

However, it added that the delivery issue is a complex one that attracts "a vast diversity of opinion among our membership".

● The Chicago Mercantile Exchange has chosen Mr T. Eric Kilcollin, a 15-year exchange veteran and an economist trained at the University of Chicago, to be its next president.

Mr Kilcollin will assume the top administrative post in February, when Mr William Brodsky, the CME's current president, leaves to be chairman of the Chicago Board Options Exchange. Mr Kilcollin has most recently been executive vice-president of business development at the exchange.

He returned to the exchange after two years as chief executive officer of the Investment Services Group of Wells Fargo Nikko Advisors (now Barclays Global Investors).

He was the CME's chief operating officer from 1990 to 1994.

CBOT has been given 75 days by the CFTC to come up with 'appropriate changes' to its maize and soyabean contracts

Traders surprised by EU grain move

By Deborah Hargreaves

The European Commission yesterday frustrated many grain traders who had hoped for a loosening of grain export policy in the last auction of the year.

The Commission's cereals management committee granted export licences for some 400,000 tonnes of wheat and 237,500 tonnes of barley – roughly half the volume of wheat, and one-third of the barley, that traders had asked to send overseas.

The committee also cut the level of subsidies it allows traders for exporting wheat to the world market, from Ecu17.5 a tonne last week to Ecu12. Barley refunds were trimmed to Ecu29.

Mr Guy Legras, the Commission's director-general of agriculture, signalled last week he might rein in exports. Some 2m tonnes have been sold in December.

The Commission is also understood to be concerned about attempts to corner the market for export licences. One large exporter was reported to have bought up licences at last week's auction and subsequently offered them at a premium to other traders.

Shippers generally submit bids to the management committee at Thursday auctions, stating how much grain they want to export and the level of subsidy they require. The Commission then grants licences for certain tonnages at a set refund level.

The European Union refunds traders for shipping grain to the world market, where prices are usually lower than internal EU prices.

The grain trade – and, to a certain extent, the Commission – have been taken by surprise by the turnround in wheat prices over the past two weeks. A sudden spurt in demand from countries such as India, Turkey and Algeria, and the move to allow Iraq to sell oil in return for buying food and medicines, has underpinned prices.

Wheat futures prices on the Chicago Board of Trade this week topped $4 a bushel for the first time since October, as cold weather also led to fears about North America's winter wheat crop. Argentina is also experiencing weather problems with its crop.

"The Commission doesn't want to grant a lot of licences with high refunds and then come back from its holiday and find world prices have moved up," said Mr James Dunsterville, a grain consultant in Geneva.

Internal EU prices for grains have also remained firm, and the Commission does not want to see the market overheated by high levels of exports.

Copper up on signs of supply tightness

MARKETS REPORT

By Ken Gooding and Deborah Hargreaves

On the London Metal Exchange signs of supply tightness re-emerged in the copper market. The premium for copper for immediate delivery, compared with three-month metal, increased from $90 a tonne to $103.50. This helped copper for delivery in three months to break through a technical barrier at $2,150 a tonne to reach $2,155 in late trading, up $41.

Mr William Adams, analyst at Rudolf Wolff, a subsidiary of Noranda, the Canadian natural resources group, said the market had been concerned that the premium, or backwardation, might not be justified by fundamentals. "But if there was a surplus of metal, firm prices should have attracted it on to the market by now."

Three-month nickel, recovering from the 26-month low reached on Monday, ended the day up $185 a tonne at $6,775. Mr Adams said nickel needed to reach $6,950 if the upward trend in the price was to continue.

Crude oil prices were volatile yesterday, with the market largely driven by technical trading in New York as dealers covered their positions ahead of the expiration of the January futures contract yesterday.

January crude futures on the New York Mercantile Exchange remained above the $26-a-barrel mark, although prices slipped a bit by midday.

A stronger US market pulled up North Sea Brent crude prices in London, where futures prices recovered from a weak start yesterday. But volume has been low in the run-up to Christmas.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1518.5-20.5	1501-02
Previous	1500-01	1533-5
High/low	1514	[illegible]
AM Official	1514-14.5	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ALUMINIUM ALLOY ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low		[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ LEAD ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low		[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ NICKEL ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low		[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ TIN ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ COPPER, grade A ($ per tonne)

Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ LME AM Official £/$ rate: [illegible]
LME Closing £/$ rate: [illegible]

[illegible]

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	[illegible]		
Opening	[illegible]		
Morning fix	[illegible]	[illegible]	[illegible]
Afternoon fix	[illegible]	[illegible]	[illegible]
Day's High	[illegible]		
Day's Low	[illegible]		
Previous close	[illegible]		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	[illegible]	6 months	[illegible]
2 months	[illegible]	12 months	[illegible]
3 months	[illegible]		

Silver Fix	p/troy oz.	US cts equiv.
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
1 year	[illegible]	[illegible]
Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	[illegible]
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
Dec	[illegible]	–0.1	370.5	370.0	[illegible]	[illegible]
Jan	370.4	–0.1	–	–	–	–
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
Jan	96.50	+1.00	96.40	95.75	27	1,030
Mar	98.70	+1.10	98.70	97.60	[illegible]	2,069
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	113.0	–1.0	112.5	112.5	3	557
Total					11	1,852

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int.
Dec	1518	–	–	–	–	304
Jan	1440	–10	1450	1435	82	1,798
Feb	1418	–	1405	1405	2	360
Apr	1464	–6	1490	1485	10	865
Jul	1220	–	1220	1220	15	415
Oct	1325	–	–	–	–	100
Total					119	3,905

	Close	Prev
BFI	1529	1518

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
Dec	[illegible]	+10	871	855	37	134
Mar	908	–8	913	904	6,944	47,844
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Dec 18	Price	Prev. day
Daily	[illegible]	[illegible]

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

Dec 18	Price	Prev. day
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	77.40	+0.27	77.40	77.15	7	1,241
Dec	77.00	+0.40	77.00	76.75	471	9,624
Mar	77.85	+0.35	77.75	77.75	15	469
Total					[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
Jan	88.20	–0.85	90.00	88.15	717	8,909
Mar	91.55	–0.70	93.25	91.50	1,530	12,784
May	94.05	–0.85	98.50	94.85	324	3,353
Jul	97.80	–0.85	98.75	97.80	62	736
Sep	100.05	–1.75	101.50	101.25	9	271
Nov	101.55	–0.50	102.00	102.00	3	78
Total					2,647	26,184

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
Dec	66.700	+0.150	66.730	66.360	1,926	4,103
Feb	63.490	–0.025	63.600	63.375	4,741	34,049
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LIFFE	Mar	May	Mar	May
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	[illegible]	+0.52
Brent Blend (dated)	[illegible]	+0.025
Brent Blend (Feb)	[illegible]	–0.61
W.T.I.	[illegible]	+0.635

■ OIL PRODUCTS (NWE prompt delivery CIF (tonne))

Premium Gasoline	[illegible]	+2
Gas Oil	[illegible]	–1.5
Heavy Fuel Oil	$113-115	
Naphtha	$218-220	
Jet fuel	$247-248	–1
Diesel	$230-231	–1.5

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	18.00-18.50	–0.50

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$369.20	+0.15
Silver (per troy oz)♣	487.50c	+3.00
Platinum (per troy oz.)	$371.75	+1.75
Palladium (per troy oz.)	$118.00	+0.50
Copper	106.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.58r	+0.25
Tin (New York)	270.50	
Cattle (live weight)	105.28p	-
Sheep (live weight)	133.94p	-
Pigs (live weight)†	90.34p	-
Lon. day sugar (raw)	$268.20	+1.00
Lon. day sugar (wte)	$312.00	+2.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Jan)▼	80.50p	
Rubber (Feb)▼	80.50p	
Rubber (KL RSS No1)	318.5x	
Coconut Oil (Phil)§	$800.0y	+5.0
Palm Oil (Malay.)§	530.0x	–2.5
Copra (Phil)§	505.0	+2.5
Soyabeans (US)	195.0x	
Cotton Outlook'A' index	70.50	
Wooltops (64s Super)	395p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Feb y Dec/Jan▼ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on [illegible] of pigs sold. ‡ [illegible]

Wool

The impression of a firm close to the Australian wool selling season before Christmas has been slightly undermined by softer New Zealand sale reports today. Prices paid for a limited selection of merino wools were firm, but crossbreds were cheaper by 1% to 2% and competion was not so strong. 20% of the offering being held back by growers dissatisfied with returns, coupled with renewed strength in sterling this is not helpful to hopes of better business in the UK in the immediate future. UK problems stem from the threat to export trade from sterling adjustments which reduce competitiveness in highly competitiveness in highly competitive markets. The world wool situation may not be significantly affected but there is wider anxiety about currency volatility.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 19	Dec 18	month ago	year ago
1902.8	1863.1	1820.0	2101.3

■ CRB Futures (Base: 1967 = 100)

Dec 18	Dec 17	month ago	year ago
245.60	244.54		

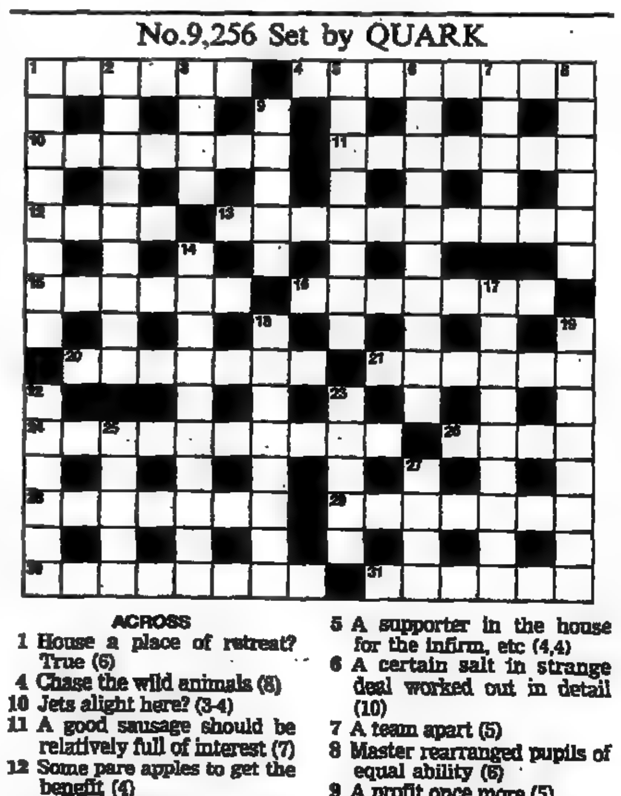
■ GSCI Spot (Base: 1970 = 100)

Dec 18	Dec 17	month ago	year ago
224.95	223.70	210.03	197.91

JOTTER PAD

CROSSWORD

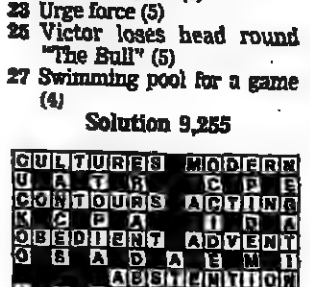
No.9,256 Set by QUARK



ACROSS
1 House a place of retreat? True (6)
4 Chase the wild animals (8)
10 Jets alight here? (3-4)
11 A good sausage should be relatively full of interest (7)
12 Some pare apples to get the benefit (4)
13 Lo! graphite is being worked. Patience required? (5,5)
15 Gold rush that lasts 31 days? (6)
16 Learner in Henley fashion is a former swimmer (7)
20 A whim to do better food (7)
21 Firm hand wears such a glove? (6)
24 A range of rugged minor crags ..... (10)
26 ..... in Caucasian mountains, a large area (4)
28 Presenter, part of TV chain? (7)
29 Strange poet rig? It boosts his image (3-4)
30 Starting-price to rise rapidly. Part of a cycle? (8)
31 Go down with rubbish, coming back (6)

DOWN
1 In which the traffic is at a peak? (4,4)
2 Upset at losing a wistful early memory? (9)
3 Omit the captain of a game (4)
5 A supporter in the house for the infirm, etc (4,4)
6 A certain salt in strange deal worked out in detail (10)
7 A team apart (5)
8 Master rearranged pupils of equal ability (6)
9 A profit once more (5)
14 Large reference to good eating (no starter) (10)
17 What happens in autumn first off? Try to listen in (9)
18 Change course. No good going in to beg (8)
19 Used binding-tape subject to a shortage (8)
22 Tip them to exercise decisive influence (6)
23 Urge force (5)
25 Victor loses head round "The Bull" (5)
27 Swimming pool for a game (4)

Solution 9,255



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Prudential Fund Managers (Guernsey) Ltd

[illegible]

Rothschild Asset Management (CI) Ltd

[illegible]

Rothschild Asset Mngmt - Contd.

[illegible]

Royal Bank of Canada Intl Money Market Fd

[illegible]

Sumit International (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

LGT Asset Management Ltd - Contd.

[illegible]

American Enterprise	$1.847	+0.002	-	
Asian Small Cos	$0.8646	-0.0020	-	
Brazil £	£0.0285	-0.0166	-	
Brazil	$0.8754	-0.0251	-	
European Cap Gwth DM	DM113.06	+0.33	-	
European Cap Gwth £	£43.49	+0.08	-	
European Cap Gwth US$	$72.69	+0.02	-	
European Emerging Markets	£1.091	-0.028	-	
European Emerging Markets US$	$1.610	-0.016	-	
Global Emerging Mkts Stg	£0.8539	+0.009	-	
Global Emerging Mkts DM	DM2.22	+0.02	-	
Global Emerging Mkts USD	$1.429	+0.008	-	
India F	$0.7887	+0.009	-	
Indonesia	$1.022	+0.002	-	
Japan Dollar	£1.039	-0.014	0.00	

Equity Japan	$8.46	8.97	-	-
Equibond	$11.13	11.81	-	-
Bond Plus	$10.52	11.16	-	-
European Growth	$10.71	11.37	-	-
Emerging Japan	$8.05	8.45	-	-

[illegible] Latin American Index Fund

Argentine Index Fd	$10.8047	-	-
Brazil Index Fd	$9.0738	-	-
Chile Index Fd	$8.1878	-	-
Colombia Index Fd	$8.8250	-	-
Mexico Index Fd	$8.2643	-	-
Venezuela Index Fd	$12.8137	-	-
Peru Index Fd	$10.4063	-	-
Latin American Index Fd	$7.7213	-	-
Smaller Markets Index Fd		-	-

Morgan Grenfell Investment Funds Ltd - Contd.

Japan Select DM	DM2.58	-0.03	0.00	
Japan Select US$	$1.722	-0.021	-	
Japan Capital Gwth Yen F	Y147.8	-2.8	-	
Japan Capital Gwth US$ F	$1.297	-0.026	-	
Japan Capital Gwth £ F	£0.7758	-0.0184	-	
Japan Capital Gwth DM	DM2.02	-0.04	-	
Japan Emerging Cos	£0.6723	-0.0078	-	
Japan Emerging Cos	$0.5569	-0.0038	-	
Japan Emerging Cos Yen	Y109.1	-1.1	-	

Barclays Global Investors Ireland Ltd

[illegible]

Baring International Fd Mgrs (Ireland) Ltd

[illegible]

Singer & Friedlander Inv Funds Ltd - Contd.

[illegible]

Swiss Life Investment Fund - Proteus (u)

[illegible]

Tilney (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Frank Russell Investments (Ireland) Ltd

[illegible]

Fresh Korea Fund

[illegible]

Fuji Investment Management Co (Europe) Ltd

[illegible]

GM Fund Management (Ireland) Ltd

[illegible]

Sumit International Inv Co Plc

[illegible]

Scottish Amicable European/International

[illegible]

Scottish Widows Intl Fund Managers Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Hill Samuel Fund Mgrs - Contd.

[illegible]

Lloyds Bank (CI) U/T Mgrs.

[illegible]

Midland Bank Fund Managers (Jersey) Ltd

[illegible]

Newton Fund Mgrs (CI) Ltd (1200)F

[illegible]

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual Guernsey - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Vantage Managed Funds				
Vantage Intl Managed	£0.988	1.041	+0.001	-
Pioneer Long Term Cons	$1.000	1.054	-0.001	-
Pioneer Long Term Agg	$0.905	0.878	-0.023	-
Pioneer Medium Term Agg	$0.906	1.023	-0.002	-

Old Mutual Hong Kong

	Selling Price	Buying Price	+ or -	Yield Gross
Dollar Money Market	$0.998	1.050	+0.001	-
Sterling Money Market	£1.022	1.059	+0.001	-
International Fixed Interest	$1.096	1.161	-0.005	-
UK Fixed Interest	£1.084	1.144	-0.003	-
Dollar Managed	$1.062	1.131	-0.003	-
Sterling Managed	£1.050	1.110	-0.010	-
European Stockmarket	£1.246	1.343	-0.019	-
International Stockmarket	$1.085	1.118	-0.024	-
Pacific Stockmarket	$0.980	1.034	-0.022	-
Emerging Asian Stockmarket	$0.909	1.074	-0.021	-
Japanese Stockmarket	$0.876	0.842	-0.014	-
Hong Kong Stockmarket	$7.857	1.481	-0.001	-
Dollar Special Market	$1.017	1.084	-0.005	-
Sterling Special Market	£0.980	1.032	-0.012	-
Latin American Stockmarket	$1.646	1.122	-0.026	-

Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Stlg Managed	£4.476	4.812	-0.044	-
£ European Stockmkt	£5.086	5.482	-0.061	-
£ UK Stockmkt	£5.128	5.518	-0.058	-
£ Sterling Special Mkt	£4.650	5.000	-0.057	-
£ UK Fixed Interest	£4.823	5.186	-0.014	-
£ Stlg Money Mkt	£2.901	3.218	+0.003	-
£ Capital Guarantee	£1.725	1.855	+0.002	-
$ Dollar Managed	$3.377	3.637	+0.030	-
$ Intl Stockmkt	$4.342	4.668	-0.104	-
$ US Dollar Bond	$1.381	1.488	-0.010	-
$ Nth Am Stockmkt	$3.763	4.046	-0.161	-
$ Japan Stockmkt	$1.897	1.865	-0.025	-
$ Pacific Stockmkt	$5.254	5.650	-0.118	-
$ Emerging Asian Stockmkt	$2.279	2.447	-0.058	-

OTHER OFFSHORE FUNDS

ATSP Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Philippines Long Term Equity				
NAV Nov 30	$14.67		-	-

AXA Asset Management

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Valeurs	FFr199.070		-	-
AXA Court Moyen Terme	FFr130.470		-	-
AXA Europe Actions	FFr237.658		-	-
AXA NPI	FFr122.709		-	-

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	+ or -	Yield Gross
Accival Dec 18	Pesos59.69		+0.04	0.25

Africa Emerging Markets Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Dec 6	$12.95		-	-

Agribusiness Fund Management Co

	Selling Price	Buying Price	+ or -	Yield Gross
ABC Bond	$10.68		-	-
Clover	$1.08		-	-

Alliance Capital

	Selling Price	Buying Price	+ or -	Yield Gross
International	$74.00	18.00	[illegible]	-
International Class B	$17.17		[illegible]	-
Quasar	$27.68	20.48	[illegible]	-
Quasar Class B	$26.66		[illegible]	-
Global Small Cap	$12.58	13.14	[illegible]	-
Global Small Cap Class B	$11.92		[illegible]	-

Allied Dunbar International Fund Mngrs (1000)F

	Selling Price	Buying Price	+ or -	Yield Gross
ADI Emerging Asia	$0.6725	0.7166	+0.002	0

Alpha Capital Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Class A	$99.54	99.55	-	-
Class B	$98.84	98.55	-	-

Alpha Fund Management Ltd

Alpha Europe Nov 29 ... Ecu271.36

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LIFE ASSURANCE - Cont.

MEDIA

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

RETAILERS, GENERAL

SUPPORT SERVICES

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

OIL, INTEGRATED

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM

OTHER FINANCIAL

LEISURE & HOTELS

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

TEXTILES & APPAREL

LIFE ASSURANCE

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1996.
K Yield based on prospectus or other official estimates for 1996.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Wall St and bid hopes drive Footsie higher

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

London stocks gave another powerful display yesterday, shrugging off the worrying implications of the latest domestic economic news.

Investors preferred to focus instead on the likelihood of more takeover activity developing in the wake of this week's burst of bids. These have included hostile moves against Newman Tonks, Burnfield, Clyde Petroleum and London Electricity, with a total value of over £2.5bn.

Heavy trading volume was another feature. There was evidence of further programme trading activity yesterday, with at least one programme – weighted on the buy side and heavily loaded with banks and insurances – put through the market. Wednesday saw two programmes executed.

There has been something of a lull in programme trading in recent weeks, reflecting the extreme volatility of markets in the wake of the big sell off on Wall Street three weeks ago.

Turnover was additionally lifted yesterday by a long list of bed and breakfast, or tax-related, trades, which accounted for at least 100m shares. At the 6pm calculation, turnover in UK equities totalled 1,111.5m shares, the highest daily total for some months. Non-FTSE 100 business accounted for 56 per cent of the overall figure. Customer trading activity in Wednesday was valued at £1.19bn, the highest for five trading sessions.

Wall Street gave a similarly powerful performance to London, building on Wednesday's 38-point gain on the Dow Jones Industrial Average and accelerating in early trading to post a 54 point gain, propelling the Dow through the 6,400 level.

The FTSE 100 index made good progress at the start of the session, beefed up by Wall Street's showing and further bid speculation.

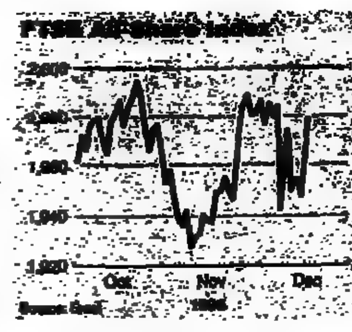
Buying interest built strongly during the late afternoon leaving Footsie up 33.1 at 4,051.3, a two-day gain of 71.7, or 1.8 per cent. The market's second line stocks and smaller issues were not left behind; the FTSE 250 jumped 26.3 to 4,406.8 and the FTSE SmallCap 6.2 to 2,146.2.

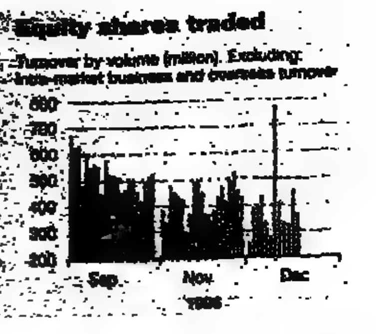
Yesterday's UK economic news, which showed M4 money supply up 10.8 per cent in the year to November, came in above the consensus; many economists now see UK interest rates as almost certain to be lifted in the next couple of months.

The US statistics, including the October trade balance, jobless claims and the Philadelphia Federal Reserve survey, gave a lift to US Treasury bonds.

Traders said the London market looks set for further gains, especially if Wall Street continues its rehabilitation and if the expected takeover stories, particularly in the financial sectors, come to fruition.

Today promises plenty of action in global markets with numerous big derivatives expiries expected to promote intense activity. A double witching takes place in London, with expiries of FTSE 100 index options and futures taking place between 10am and 10.30am.





Indices and ratios

FTSE 100	4051.3	+33.1	FT 30	2780.8	+18.2
FTSE 250	4406.8	+26.3	FTSE Non-Fins p/e	17.85	17.76
FTSE 350	2009.4	+15.4	FTSE100Fut Dec	4050.0	+34.0
FTSE All-Share	1979.85	+14.54	10 yr Gilt yield	7.65	7.70
FTSE All-Share yield	3.81	3.84	Long gilt/equity yld ratio	2.02	2.02

Best performing sectors

1 Tobacco +3.4
2 Oil Exploration +1.8
3 Electronic & Elec +1.7
4 Telecommunications +1.6
5 Transport +1.5

Worst performing sectors

1 Engineering: Vehicles −0.9
2 Gas Distribution −0.9
3 Textiles & Apparel −0.8
4 Distributors −0.2
5 Leisure & Hotels +0.0

Legal decision hits GKN

By Joel Kibazo, Lisa Wood and Peter John

Engineering group GKN was the main talking point of the day. A US court found it in breach of contract with its US franchisees, a ruling that could wipe out most of GKN's profits this year.

The company said the award appeared to stand at $398m (£240m) but could be raised to a maximum of $554m.

The news hit the stock like a bolt from the blue and sent the shares plunging as dealers moved to reduce holdings. There was extended backwardation, a situation when the offer and bid price are temporarily reversed in the rush to sell the stock. At the day's worst the stock was down 75 at 970p.

Many analysts highlighted the fact that with this year's profits consensus standing at around £365m the award could well wipe out most of GKN's profits this year.

Nerves were steadied later and the shares clawed back most of the earlier losses to end 35½ off at 1009½p, after trade of 5.6m.

One analyst said: "This is seriously bad news for GKN. Should the company make the payment, acquisitions will be off the agenda and dividend increases will be constrained."

T&N, at one point rumoured to be a bid target for GKN, remained under pressure, easing another 3 to 169½p following Merrill Lynch's advice earlier on in the week for investors to switch into GKN.

Storehouse strengthened 8½ to 261p on turnover of 22m after the pressure of some heavy selling was removed. Dealers said NatWest Securities had placed 8.4m shares – some 2 per cent of the issued capital – with institutions over the past two days.

There was also some speculative talk that Asda might be casting an eye over the high street retailer, which is perceived by the City as vulnerable and cheap.

Asda firmed 3 to 126½p following half year results at the top of expectations, with a number of analysts upgrading full year forecasts. Charterhouse Tilney moved from £340m to £350m and UBS increased its estimate from £340m to £345m.

Rank was the worst performer in the FTSE 100, falling 25½ to 416½p, following a trading statement which failed to live up to expectations. Particularly disappointing, said analysts, was its Hard Rock cafe business.

Mr Greg Feehely, leisure analyst at Kleinwort Benson, said a radical turnaround was required at Hard Rock and, although new management had been installed, the benefits would take time to flow through.

Kleinwort, which had bottom of the range forecasts, has not changed them, although several other analysts have, including NatWest Securities, which moved from £322m to £300m for the current year.

Airtours climbed 50 to 797½p, a record high, after the holiday operator said that it and Carnival Corporation planned to buy Costa Crociere, the Italian cruise line, for about £181m.

East Midlands Electricity was heavily traded as SBC Warburg went into the market to buy 15 per cent of the shares on behalf of Dominion Resources, the US bidder, which now has more than 50 per cent. The shares improved 3 to 664½p with 29m changing hands.

Northern Electric gained 7½ to 637½p on the last day before the outcome of the bid by CalEnergy is announced. The closing price suggested the jury was still out on whether CalEnergy would win the 650p-a-share bid or whether Northern, whose adviser bought stock in the market on Wednesday, would be able to fight off the US aggressor.

Abbey National hit a new closing high on bid speculation and a squeeze amid a shortage of stock in the market. The shares closed 6 higher at 742½p as press reports noted talk that at least one sizeable financial sector bid or merger was poised to hit the market.

The shares have also been bolstered by hopes that rising mortgage rates would lead to wider profit margins.

Commercial Union lifted 1½ to 688p on the back of reports about a £146m surplus on the insurer's claims book.

BAT Industries lifted 17½ to 484p after announcing it had sold its Henri Wintermans Cigar Group and expected the sale to result in a small profit.

Enterprise jumped 19 to 614½p amid hopes for a re-rating in the oil sector following Gulf Canada's bid for Clyde. However, the main beneficiary of bid speculation whipping through the oils was British Borneo, which was the best FTSE 250 performer with a rise of 46, or 6.85 per cent, to 717½p.

United News & Media gained 28½ to 683½p after SBC Warburg reiterated a "buy" recommendation. The broker marginally downgraded its 1996 profit estimates for the publishing group on currency effects, but nevertheless remained positive on the stock.

Chemicals group Laporte jumped 27 to 661½p after the company said trading was in line with expectations in the second half of 1996.

Laporte said the international spread of its businesses, together with its strong market and technology positions in specialist sectors, gave a base for solid progress.

British Gas dipped 2 to 220½p although recent caution from ABN Amro Hoare Govett, one of the company's brokers, was offset by a presentation by the company yesterday to potential investors.

WPP and Cordiant benefited from a media conference in the US hosted by Paine Webber earlier in the week. WPP gained 8 to 234p and Cordiant 3½ to 96½p.

Whitbread slipped 14½ to 761p on the announcement that Mr Peter Jarvis, the group's chief executive, plans to retire next summer. The share price movement reflected profit-taking after the recent gain seen in the stock.

There was some switching from Whitbread into Bass, which rose 9 to 814p. Guinness rose 10½ to 454p with one analyst suggesting that Christmas lunches in the City were slowing down the absorption of news, such as the Japanese relaxing taxes on whisky.

British Airways gained 9½ to 610½p amid rumours that the company and American Airlines are in talks with KLM, the Dutch carrier, about forming a strategic alliance.

A shortage of stock in Railtrack sent the group's shares soaring to a new high. They put on 27½ to 388p, the best performing stock in the FTSE 100 yesterday. Dealers expect the government to publish performance data for the group today.

FT 30 INDEX

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	Yr ago	*High	*Low
FT 30	2780.8	2762.6	2740.6	2752.0	2738.3	2641.8	[illegible]	2668.8
Ord. div. yield	4.16	4.17	4.20	4.15	4.17	4.10	4.22	3.76
P/E ratio net	17.13	17.07	16.94	16.64	16.55	15.67	17.46	15.80
P/E ratio nil	16.96	16.90	16.78	16.48	16.39	15.48	17.30	15.71

FT 30 since compilation: high [illegible]; low 49.4 [illegible]. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2764.9	2769.8	2767.8	2760.9	2768.4	2770.8	2777.7	2779.1	2778.0	2780.8	2760.3

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	Yr ago
SEAQ bargains	34,322	32,261	31,801	32,705	30,541	28,756
Equity turnover (£m)†	–	1193.1	1157.6	969.4	895.6	1794.9
Equity bargains†	–	21,109	16,775	16,695	15,827	28,705
Shares traded (mil)†	–	393.4	364.7	463.8	325.5	658.5

†Excluding intra-market and Overseas business and overseas turnover.

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	Yr ago	*High	*Low
FTSE AIM	1020.40	1021.20	1015.90	1015.60	1013.60	–	1146.40	965.70

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	698	Total Highs	90	Total contracts	51,297
Total Falls	394	Total Lows	105	Calls	29,713
Same	1,463			Puts	21,884

Dec 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4023.0	4050.0	+34.0	4056.0	4015.0	18982	21875
Mar	4034.0	4063.5	+35.0	4073.0	4027.0	18073	44256
Jun	4062.0	4085.5	+35.5	4062.0	4062.0	100	2494

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

FTSE 100 INDEX OPTION (LIFFE) (*4049) £10 per full index point

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

FT GOLD MINES INDEX

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 19
FTSE 100	4051.3
FTSE 250	4406.8
FTSE 250 ex IT	4452.6
FTSE 350	2009.4

FTSE Actuaries Industry Sectors

Hourly movements

FTSE 350 Industry baskets

TRADING VOLUME

Major Stocks Yesterday

FTSE INTERNATIONAL

CONTRACTS & TENDERS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

[illegible]

PACIFIC

[illegible]

AFRICA

[illegible]

NORTH AMERICA

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

[illegible]

India						
BSE Sens.(1979)	3035.91	3001.24	2984.02	4069.28 18/6	2745.05	4/12
Indonesia						
Jakarta Comp.(10/8/82)	638.91	628.45	623.80	634.87 9/12	512.48	2/1
Ireland						
ISEQ Overall(4/1/88)	2659.01	2654.60	2631.08	2700.04 4/10	2234.61	3/1
Italy						
Banca Comm Ital(1972)	655.40	651.58	646.81	694.10 20/5	572.21	27/3
MIB General(2/1/95)	1112.0	1105.0	1097.0	1142.00 20/5	970.00	27/3
Japan						
Nikkei 225(16/5/49)	19570.67	20083.03	20413.46	22666.80 26/6	19570.67	19/12
Nikkei 300(1/10/82)	278.09	283.88	287.42	319.70 26/6	278.09	19/12
Thailand						
Bangkok SET(30/4/75)	832.80	853.82	867.23	1415.04 6/2	832.80	19/12
Turkey						
Istanbul Comp.(Jan 1986)	94451.1	94304.4	90385.9	94451.10 19/12	38778.20	2/1
WORLD						
MS Capital Intl(1/1/70)	808.0	807.8	805.5	837.20 25/11	725.90	15/1
CROSS-BORDER						
Eurotrack 100(26/10/90)	1855.70	1855.83	1847.55	1869.49 3/12	1504.48	11/1
Euro Top-100(26/6/90)	1580.40	1589.88	1551.18	1593.23 3/12	1303.01	11/1
HSBC JC Drgn(31/12/89)	(u)	402.00	402.89	420.28 27/11	344.19	2/1
MS Emgs Europ(7/1/92)	(u)	156.50	154.86	165.94 4/7	142.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
■ CAC-40 (200 x Index)							
Dec	2229.0	2256.0	+34.0	2259.0	2226.0	18,459	22,040
Jan	2233.5	2259.0	+33.5	2261.0	2231.5	2,413	8,095
■ DAX							
Dec	2818.0	2825.0	+11.0	2833.0	2803.5	31,127	–
Mar	2840.0	2848.0	+12.5	2855.0	2826.0	23,452	–
■ OMX							
Dec	1816.00	1834.00	+22.00	1844.00	1816.00	9,775	13,305
Jan	1824.00	1839.00	+21.25	1851.00	1820.50	6,834	20,819
■ SOFFEX							
Dec	3873.0	3890.0	+15.5	3892.0	3862.0	8,719	10,724
Jan	3881.0	3897.0	+10.0	3898.0	3866.0	6,326	17,479

US INDICES

Dow Jones	Dec 18	Dec 17	Dec 16	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6346.77	6308.33	6268.35	6547.79 (25/11)	5032.94 (10/1)	6547.79 (25/11/96)	41.22 (8/7/32)
Home Bonds	103.20	103.32	103.63	106.08 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2236.58	2235.02	2218.69	2315.47 (5/12)	1862.71 (18/1)	2315.47 (5/12/96)	13.23 (8/7/32)
Utilities	228.48	227.64	227.71	238.12 (25/11)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 6399.06 (6454.46) Low 6272.98 (6206.83) (Theoretical) Day's high 6358.35 (6324.86) Low 6308.35 (6236.05) (Actual)

Standard and Poors	Dec 18	Dec 17	Dec 16	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	731.54	726.04	721.00	757.03 (25/11)	598.48 (10/1)	757.03 (25/11/96)	4.40 (1/6/32)
Industrials¶	860.13	852.01	847.70	887.49 (2/12)	702.07 (15/1)	887.49 (2/12/96)	3.52 (30/6/32)
Financial	80.24	80.39	79.96	84.89 (29/11)	58.67 (10/1)	84.89 (29/11/96)	7.13 (4/8/74)
NYSE Comp.	385.17	382.77	380.85	398.86 (25/11)	321.41 (10/1)	398.86 (25/11/96)	4.84 (25/4/42)
Amex Mkt Val	574.86	570.31	572.57	614.89 (22/5)	525.60 (16/7)	614.89 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1285.38	1266.32	1261.07	1316.27 (9/12)	988.57 (15/1)	1316.27 (9/12/96)	54.87 (3/10/74)

■ RATIOS

	Dec 13	Dec 6	Nov 29	Year ago
Dow Jones Ind. Div. Yield	2.09	2.05	2.02	2.27
	Dec 18	Dec 11	Dec 4	Year ago
S & P Ind. Div. yield	1.87	1.85	1.83	1.98
S & P Ind. P/E ratio	22.74	23.04	23.05	18.75

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
ADT Ltd	7,436,500	23¼	+3⅛
Frontier	6,786,500	22⅝	+2
Teledenos	6,366,400	31⅝	+⅛
Micron	6,265,100	32¼	+⅛
Compaq	6,237,400	78⅝	+6⅞
AT&T	5,179,400	38⅝	–¼
Motorola	4,265,900	58⅝	+2¼
WalMart	3,849,800	23	–⅛
IBM	3,808,100	159	+7⅜
Hanson	3,574,900	6⅝	–⅛

■ TRADING ACTIVITY

● Volume (million)

	Dec 18	Dec 17	Dec 16
New York SE	500.298	519.835	447.584
Amex.	23.259	19.894	19.862
NASDAQ	835.471	630.174	532.175
NYSE			
Issues Traded	3,350	3,336	3,332
Rises	1,581	1,249	820
Falls	932	1,244	1,656
Unchanged	838	843	788
New Highs	74	48	64
New Lows	60	69	67

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	737.00	736.20	+5.15	738.00	734.80	18,847	72,389
Mar	737.95	743.25	+5.10	744.75	737.90	83,794	174,791

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Mar	20030.0	19660.0	–480.0	20160.0	19650.0	33,841	208,385
Jun	20060.0	19770.0	–490.0	20090.0	19770.0	730	25,289

Open interest figures for previous day.

Sat Dec 14 Taiwan Weighted Price 6889.19; Korea Comp Ex 697.34. Base values of all indices are 100 except Australia All Ordinary and Metals – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SVI.30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Mining – 500; Austria Traded; JSE Gold – 264.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 19 – 2824.88 +10.60. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 19, 1996

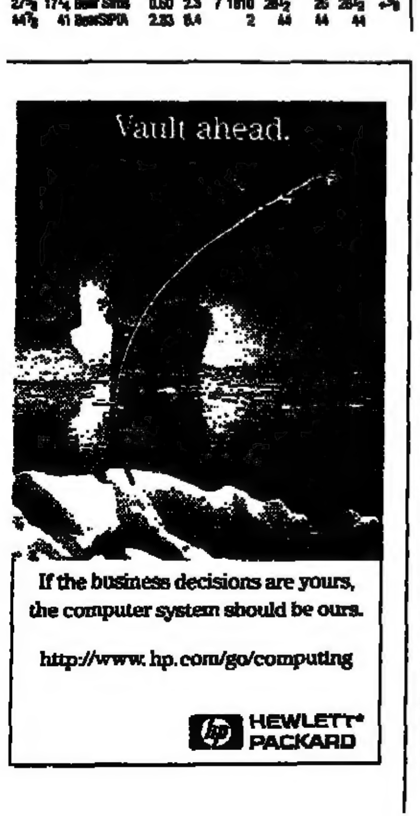
	Stocks Traded	Closing Prices	Change on day
Tokio M & F Ins	5.6m	1060	+30
Nippon Steel Cp	5.6m	334	-6
Yaohan Japan Cp	5.4m	363	-62
Keisei Elect Ry	4.8m	750	-40
NEC Corp	4.5m	1310	-40
Daiwa Secs	3.9m	1050	-100
Mitsubishi Hvy	3.7m	910	-14
Clarion	3.7m	531	-49
Sumitomo Mtl Ind	3.6m	301	-1
Kobe Steel	3.5m	241	-9

4 pm close December 19

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
32	31¼	AAR	0.48	1.8	22	308	27	d26¾	26¾	-⅛
46⅛	33	AMP	1.00	2.6	18	4724	38	37⅜	38	+¾
87½	60	AMR			17	3401	87⅝	85¾	87	+½
50½	35⅛	ASA	1.20	3.5	22	1024	35	d34⅜	34⅝	-⅝
57⅜	38⅛	AbbtsL	0.96	1.8	22	15471	52⅝	51¼	52⅜	+1¾
17¼	12¼	Abitibi Pr x	0.40	2.6	7	1225	15⅜	14⅞	15⅜	+⅝
20¼	15½	ABM Ind	0.40	2.4	15	798	16¾	16⅛	16⅝	+⅝
22½	13⅞	Accptcsale			9	73	20⅛	20	20	
60	37¾	ACE Ltd	0.72	1.2	9	3824	58¼	57	57⅞	-⅛
10⅜	9⅛	ACM Gvt In x	0.90	9.0	10	199	10⅛	10	10	-⅛
7⅞	6⅝	ACM GvOpp x	0.57	7.9		165	7¼	7⅛	7¼	
9⅞	8⅞	ACM Man x	0.90	9.2		135	9¾	9⅝	9¾	+⅛
19⅞	6⅛	Acme Elect				558	7	6¾	6⅞	-⅛
21⅝	13⅞	Acme Mts			14	35	20	19⅝	20	
33¾	27¾	Acordia x	0.80	2.7	14	15	29⅜	29¼	29⅜	
24⅞	12	Acuson				1013	22¾	22¼	22⅝	+¼
21⅛	17⅞	Adams Expr x	0.55	2.8	1	220	19¾	19⅛	19¾	+⅞
28⅞	10¼	AdvMic			27	10444	27⅛	26½	26¾	-⅜
11⅛	8½	Advest Grp			7	88	10¼	10⅛	10¼	+⅛
26⅞	9⅛	Advo Inc			25	1390	12	11⅝	11⅞	+⅛
56⅝	41⅛	Aegon	1.18	2.1	18	64	56	54⅝	55⅞	+1¼
6¾	3½	Aeroflx				60	4½	4⅜	4⅜	-⅛
78½	57⅞	Aetna	0.80	1.1	43	6268	76	75⅛	75⅞	-⅛
[illegible]										

- A - (continued), - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -, - S -: [illegible]



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4 pm close December 19

NYSE PRICES

Continued from previous page

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
9⅛	6⅝	SchawkA x	0.26	3.2	21	95	8¼	7⅞	8⅛	+⅝
51⅛	37¾	SchrdrRP			33	915	45⅝	44⅞	45⅝	+¾
73⅛	50½	SchPl	1.32	2.0	20	13508	67	63⅝	66⅞	+2⅞
108¾	65⅞	Schlmb x	1.50	1.4	33	7187	104⅞	102¼	104⅝	+3⅛
14½	8⅛	Schulr	0.12	1.2	11	438	10⅛	10	10⅝	+⅜
32¼	18⅝	Schwab(C)	0.20	0.6	26	4993	31¼	30½	31¼	+1⅛
33⅝	22¾	SchwtMaud	0.60	1.9	16	358	32⅜	32	32	-¼
20⅞	12	SciAtl	0.06	0.4		2569	16	15¾	15⅞	+¼
24⅞	17	Scotsmn	0.10	0.4	12	73	23⅞	23¾	23⅞	
18⅛	12½	ScudderNewF	0.02	0.2		372	12⅞	12¾	12¾	
14⅛	11	ScudderNEuF	0.05	0.4		138	13¾	13⅝	13¾	
20⅞	14¾	SeaCntA	0.77	4.8	23	215	16⅛	15½	16	-⅛
18	15	SeaC1.4625	1.46	9.3		8	15⅞	15½	15¾	-⅛
42¾	18	S'gate			39	9745	40¼	39¼	39½	
41¼	30⅞	Seagrm	0.66	1.7		1724	39½	38½	39½	+1
28	17⅛	Seagull En			52	3818	22¼	21½	22⅛	+½
44⅛	25	Sealed Air			26	438	41½	40¾	41	
59⅞	38¼	SearsR x	0.92	2.0	16	16819	45¾	45⅛	45⅝	+1¼
21⅛	17	ScCoSSLP	1.30	6.8	16	1118	u21⅝	20⅝	21⅝	+1
13	11⅞	Seligm Sel	0.31	2.5		76	12½	12⅜	12⅜	-⅛
23⅜	15⅝	Sensormat	0.22	1.2		803	18¼	18	18¼	+⅜
40½	29½	SequaA	0.60	1.5	42	160	40½	39½	40⅜	+⅝
53⅝	39	SequaB	0.50	1.0	51	7	49	48½	49	
31¼	19½	ServCp	0.24	0.9	13	8106	27¼	26¾	27⅛	
26⅜	19½	SvMstr	0.68	2.7	15	512	25⅜	25¼	25⅛	+⅛
6½	4⅜	ServMerch			11	23719	5⅛	4⅝	4⅞	-⅛
72⅞	28½	SGSThm			14	1193	70⅝	68¼	70	+1¾
15⅝	10⅝	Shaw Ind	0.30	2.5	39	883	11⅞	11¾	11⅞	+⅛
14¾	10⅛	Shelby Wil	0.32	2.5	14	35	13	12¾	13	+¼
101½	76⅝	ShellTr	3.00	3.0	21	361	99⅝	98	99⅝	+1⅝
57¾	39	SherwWl	0.70	1.3	21	999	54⅞	53⅞	54¾	+⅞
13⅜	7⅛	Shoneys				2013	7¾	7⅝	7¾	
35½	17¾	Showboat x	0.10	0.5		620	18⅜	d17¾	18⅛	+½
29	22¾	Sierra Pac	1.18	4.2	12	442	27⅞	27⅞	27⅞	
8	3⅛	SignalApp				5	3⅛	d3⅝	3⅞	
30½	20	Signet Bnk	0.84	2.8	15	1202	30⅛	29¾	30⅛	+⅝
30⅝	17⅞	SiliconGr				10477	27⅞	26¾	27⅛	-¾
30¾	24¼	SimonDbl	1.87	6.4	30	3141	u30¾	29½	30⅝	+1¼
9¾	7⅞	Sizeler	0.88	9.3	25	182	9⅝	9½	9½	

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23	19⅞	Zurn Ind x	0.40	1.9	14	241	23	21½	21⅝	+⅛
11⅞	10½	Zweig Fund	1.08	10.0		316	10⅝	10¾	10¾	
9	8⅛	Zweig Totl x	0.84	10.2		1189	8¼	d8⅛	8¼	+⅛

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ex-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

♣ Dealings suspended.

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AMEX PRICES

4 pm close December 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Adv Magn			149	15⅞	15⅝	15⅞	+⅛
Allin Inc		5	189	1 7/16	1¼	1⅜	
Alpha Ind			140	9	8¾	9	+1/16
Am Isr Pa	1.37	5	2	37¼	37¼	37¼	+½
Amdahl			12204	13¾	12⅞	13⅛	-½
AmExpl			198	15⅝	14⅞	15⅝	+¼
Ampal-AmA			213	4¾	4⅝	4¾	+⅛
ASR Invs x	2.00	8	55	21¼	20½	21¼	+⅝
Astrotech		14	157	5 11/16	5⅜	5 11/16	+3/16
Audiovox A		30	8219	5 13/16	5¼	5¾	+½
AutoTotelA			2641	1¼	1	1 3/16	-1/16
AvivaPtDR			11	3⅞	3⅞	3⅞	+⅛
B&H Ocean		11	5	u2 13/16	2 13/16	2 13/16	
BadgerMtr	0.68	15	15	38¾	38¼	38⅜	-¼
BakerT A		22	2731	2⅝	2⅜	2½	+1/16
BATInd x	0.58	10	124	15⅞	15 11/16	16	
Beard			6	2 11/16	2 11/16	2 11/16	
Blair Man	1.20	45	226	38½	37¾	38½	-1⅛
Bio-Rad A		17	149	28¾	28	28	-⅜
Bowmar	3.00	11	247	1¾	1 11/16	1⅝	-⅛
Bowne	0.36	10	389	24⅝	24	24⅜	+⅜
Brascan A	1.04	26	38	21⅞	21⅝	21⅞	+¼
Cambrex	0.20	14	33	30⅜	30	30¼	+⅛
Can Marc.	0.14	33	13	11⅛	11⅛	11⅛	
Cntrl FdA	0.01		147	4½	4 7/16	4½	+1/16
Cominco x		18	94	23⅞	23¼	23⅝	+⅝
CropTch			151	9⅞	9 13/16	9⅞	+¼
Computrac			25	1¾	1¾	1¾	
Concd FdA		23	10	6⅛	6⅛	6⅛	+⅛
CrossAT A	0.64	18	533	11⅝	11¼	11⅝	+⅜
Crown C A			30	13⅛	d13⅛	13⅛	
Crown C B			95	12	d11¾	11⅞	-¼
Cubic	0.36	19	149	u24¼	23	23¾	+¾
Cybex			124	9⅝	9⅜	9⅝	+¼
DI Inds			305	2⅞	2 13/16	2 13/16	-1/16
Datometrics		17	13	18⅝	18¼	22⅝	+⅛
Easco Co	0.45	31	10	13⅞	13⅞	13⅞	
Echo Bay x	0.07		5573	7 1/16	6⅞	6 15/16	+1/16
Ecol En A	0.32	40	9	8⅞	8⅝	8⅞	+¼
Edisto Rs			75	8¾	8¼	8¾	+⅜
Epitope			984	13⅛	12⅛	12⅝	+⅝
Fab Inds x	0.70	16	41	26⅞	26¾	26⅞	+⅛
Fina A	2.80	14	8	47⅜	47⅛	47¼	+⅛
Forest La		18	3770	30¼	29¼	29⅞	+¾
Frequency		12	18	10⅜	10¼	10¼	+⅛
Garan	0.80	14	115	u19⅝	19	19⅝	+⅝
Giant FdA	0.76	18	1106	35	33¾	35	+1¼
Glatfltr	0.70	12	98	18	17¾	18	+⅜
Goldfield			184	¾	d¼	¾	
HanDir			749	¾	⅝	⅝	-1/16
Hasbro	0.40	18	1940	38½	38⅛	38½	+⅛
Health Ch			197	1⅛	1 1/16	1 1/16	
Heico	0.10	28	26	21¾	21⅝	21⅝	+¼
HouOR			285	16⅝	16	16⅜	+⅜
HovnanianA		8	374	6	5¾	5⅞	-⅛
InstronCp x	0.16	18	7	12⅞	12¾	12¾	-⅛
Int. Comm			688	6½	6¼	6⅜	+1/16
Intermag		34	375	13⅛	d12⅝	12¾	-¼
Ivax			6435	10¾	10¼	10½	-⅛
Jan Bell			481	2 5/16	2 3/16	2¼	
JTS Corp		1	1500	3 11/16	3⅝	3⅝	-1/16
Kinark Cp		23	40	3⅛	3	3 1/16	+1/16
KogrEq		23	436	u17	16⅛	16⅞	+¾
Laborge	0.06	26	206	6¼	6	6⅛	+⅛
Lynch Cp		14	18	73½	71¼	72¾	-¾
Maxxam		8	48	47⅛	45¾	47	+¾
Media A	0.52	12	193	31¼	30½	31⅛	+⅝
Mem Co			2	u7⅜	7⅜	7⅜	
Micromedia			3884	10⅛	9¾	10	-⅛
MinLd			5	6¼	6¼	6¼	
Moog A		16	89	25⅛	24⅛	24⅝	-⅛
MSR Expl			2	11/32	11/32	11/32	
NatPatDev		4	383	8⅛	7¾	8	
NY TimA	0.56	54	4562	u39	37⅞	39	+1
NVR		5	46	11⅜	11	11¼	+¼
Pegasus G		61	2540	8 5/16	d8 1/16	8⅛	-1/16
Pedal		7	1029	8⅝	d7½	7¾	-⅝
PMC	1.20	12	51	14⅛	14	14	-⅛
RaganBrad			2	31	30½	30½	
SJW Corp	2.22	8	79	u48¼	47⅞	48	+2⅛
Tab Prods	0.20	13	35	9	8⅞	9	
TelData x	0.40	16	774	36¼	35½	35⅞	-⅛
Thermedcs		29	271	18⅝	18⅜	18⅝	
Thermolec		28	1034	30⅛	30	30⅜	+½
TotPNA	0.20	146	50	10½	10¼	10¼	-⅛
TownCntry		0	381	7/32	⅛	⅛	
TriBon		0	10	11/32	15/32	11/32	
Tubos Mex			1468	14⅝	14½	14⅝	+¼
UtdFoodsA			z100	1 5/16	1 5/16	1 5/16	-1/16
UtdFoodsB			z100	1½	d1½	1½	
US Cellul		17	162	28⅛	27⅞	28	
ViacomA		92	296	35¾	35	35⅛	-¼
ViacomB		89	5897	37⅛	36¼	36½	-⅜
WRIET	1.12	17	412	13	12⅞	13	
Xytronix			179	1¼	d1 1/16	1¼	+3/16

NASDAQ NATIONAL MARKET

4 pm close December 19

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Digi Intl		11	3171	13½	12¾	13	-¼
Dig Micro			1920	27⅞	26⅝	27½	+⅞
Dig Sound			1185	1 15/32	1 13/32	1 15/32	
Dig Syst		31	2453	16⅝	16	16¼	+¼
Dionex Cp		17	776	33¾	32½	32¾	-⅛
Dixie Ym			372	8	7⅞	7⅞	
Dollar Gn	0.20	28	1587	33⅝	33	33¼	-⅛
Dorch Htn	0.88	24	339	15¼	14½	15¼	+¼
DrecoEngy		24	1531	38	35½	38⅞	
DressBarn		14	463	13⅞	13⅝	13⅝	
Drey GD	0.24		347	29¾	28½	29½	+1
Drug Empo		25	154	4½	4¼	4 5/16	
DS Bancor	0.24	14	261	42 7/16	42¼	42¼	
Duriron	0.52	18	253	27⅛	26½	27	-⅛
Dynatech		22	3853	42¾	40½	42	+1⅜
- E -							
Eagle Fd			135	4⅛	3⅞	3⅞	-⅛
EastEnvmt			305	8⅝	8⅜	8⅝	
ECI Tel	0.20	14	3888	19½	18¾	18⅞	-¼
Egghead			1360	5⅝	5¼	5⅜	-⅛
ElectrSci		10	420	24⅛	23½	23⅝	-⅛
ElctrlxB	1.57	10	208	58⅜	58⅛	58¼	
ElectArts		40	9107	32½	31⅜	31⅝	-½
Emcon Ass		46	88	3 13/16	3 11/16	3⅞	
Emulex			124	15½	15	15½	+½
EncoreCmp			1425	1½	1⅜	1 13/32	
EngyVntrs		39	980	50½	48⅞	50¼	+1⅝
Enzon			1655	2 7/16	2¼	2 5/16	-1/16
EquityOil			504	3⅛	3	3	-⅛
ERD Waste		4	112	2⅜	2⅛	2⅛	

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
- R -							
Rainbow		15	148	21¼	20¾	20⅞	-⅛
Rallys		2	854	4 9/16	4⅜	4 7/16	-⅛
Raymond x	0.10	9	242	18⅛	17½	18	+½
RCSB Fin	0.60	10	1305	30	29¼	29⅜	-1/16
Read-Rite		132	8028	25¼	24¾	25⅛	-½
Recoton		13	508	15¼	14¼	14 9/16	-7/16
Repligen			519	1 3/16	1 1/16	1 3/32	-3/32
Repub Ind		112	17276	31⅛	30	30⅜	-¾
ResrchMed		22	2208	23	22⅝	22¾	+⅛
Resound		68	990	8⅛	7⅞	7 15/16	-3/16
Reuters	1.00	27	1794	71¼	69⅝	70½	
RoadwExpr	0.20	28	1027	16¾	15½	16¼	+1⅛
RoMgnt	0.12		4	4⅞	4⅞	4⅞	-⅛
Roosevelt	0.62	10	2007	18⅞	18½	18⅝	-⅛
Ross Str x	0.28	18	3852	52¼	50¼	52	+1½
RotechMed		21	2387	19¾	19	19⅜	-⅛
RPM Inc.	0.52	16	869	17⅛	16¾	17⅛	+⅜
Ryan Fmly		11	4667	8	7⅜	8	+½
- S -							
Safeco	1.16	11	4714	39⅞	39	39 7/16	+7/16
SalickHlth		58	6	39½	39½	39½	
Sanderson	0.20		1057	u17	16	17	+½
SchlmbgrA	0.38	19	1287	22½	21¾	22¼	-¼
SCI Systm		15	5772	48⅞	47⅞	48	+⅞
Scios			1114	6 5/16	6	6 1/16	+1/16
Schex Cp	0.52	2	2685	10½	10⅛	10⅜	+1/16
Score Brd			836	2¼	2	2 1/16	-1/16
Seafield	1.20	428	12	34½	33⅞	34¼	-¼

Dow surges on dollar and bond gains

AMERICAS

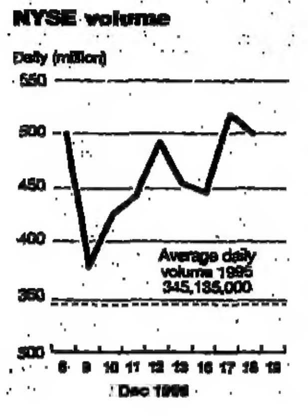
Strength in the currency and bond markets helped US shares to move higher at midsession, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was up 67.28 at 6,414.05 and the Standard & Poor's 500 added 8.12 at 739.66. Volume on the NYSE came to 278m shares.

Technology shares were also strong as they continued the rally that begun on Wednesday.

The Nasdaq composite, which is about 40 per cent technology shares, added 7.24 at 1,292.62 and the Pacific Stock exchange technology index was 0.6 per cent higher.

NYSE volume



The value of the dollar was lifted in early business by a narrower than expected US trade deficit and currency gains, which combined with some new signs of economic weakness to boost bond prices and send yields lower. By early afternoon the yield on the benchmark 30-year Treasury had fallen about 5 basis points to 6.652 per cent.

Lower yields sent interest rate sensitive bank stocks higher. Chase Manhattan Bank added $2¾ at $89⅝ and Citicorp was $2 stronger at $103. NationsBank, which was also helped by an upgrade from an analyst at Prudential, rose $3¼ at $97⅞.

Elsewhere, Nike jumped $6 or 10 per cent to $61⅛ after reporting better second quarter results than expected. After the market closed on Wednesday, the sporting shoe and apparel company said that net income rose by more than 76 per cent from the same period last year to 60 cents a share. Analysts had forecast earnings closer to 54 cents a share.

Conrail rose $1⅞ to $100⅝ as CSX, which has a friendly offer to acquire Conrail, raised its bid by $16 per share. CSX shares dropped $1¼ to $44 on the news, while shares in Norfolk Southern, which has launched a hostile bid for Conrail, added $⅛ at $86¾.

GE, which is a component of the Dow, rose $2⅝ at $101⅝ after announcing that it would extend its share buyback programme to 1998 and raise its dividend by 13 per cent. Other rising components of the Dow included Procter & Gamble up $2¼ at $106⅛ and Merck, which gained $2⅞ at $79⅞.

TORONTO moved ahead strongly, aided by the initial surge on Wall Street. At noon, the 300 composite index was showing an advance of 58.26 at 5,785.90.

Almost all of the 14 index sector groupings moved up during the morning, with conglomerate and financial services stocks making most of the running. Conglomerates were up 2.25 per cent helped by another strong day for Canadian Pacific which added C$1.15 to C$35.50.

Banks were buoyant with Royal Bank of Canada C$1.00 ahead at C$46.80 and Toronto-Dominion Bank up 65 cents at C$34.25.

Alcan Aluminium put on 75 cents to C$45.80 and Barrick Gold 30 cents to C$40.90.

Mexico City 1.2% ahead

MEXICO CITY extended early gains towards midsession on a combination of renewed foreign demand, which spurred local buying, and early gains on Wall Street.

The IPC index was 39.79 or 1.2 per cent higher at 3,312.95, in hefty midsession volume of 63.5m shares.

BUENOS AIRES moved gently ahead at lunchtime, taking its lead from New York, and the Merval index registered a gain of 2.71 at 617.49.

LIMA reopened at its normal starting time after trade was suspended on Wednesday due to heavy falls following the continuing hostage crisis.

By midsession, the general index had given up another 8.7 at 1,330.6.

Santander Investment, based in Lima, noted that the hostage crisis did not represent a new outbreak of widespread violence and it recommended investors to use the market weakness as a buying opportunity.

De Beers deal in spotlight

Shares in Johannesburg moved higher for the second day running in spite of a roller-coaster ride for the stock market leader, the De Beers diamond giant.

The overall index gained 53.1 to 6,468 following a rise of 89.6 to 7,724.7 for industrial shares. Gold shares, held in check by a dull bullion price, remained subdued, adding 2.6 to 1,491.3.

Dealers said that turnover was healthy with bargain hunting lifting the day's activity to almost R850m. South African Breweries added R2.50 to R112.50 and Sasol added R2 to R56 in 4.1m shares traded.

De Beers was the main feature of the day, falling steeply in the morning on worries about its Russian marketing deal but recovering in later trading. The stock touched a session low of R121.75 before closing at R128.50, down R1.

Paris climbs again, takeover talk rampant

EUROPE

There were more new all time highs, in **MADRID, LISBON** and **BUDAPEST**; but **PARIS** starred for the second day in succession as the CAC 40 index closed 29.81 higher at 2,248.70.

Sanofi jumped by more than 6 per cent, ending FFr29 higher at FFr494 after Elf Aquitaine put its 53 per cent stake in the drugs group on the auction block. Elf itself made a profits forecast and added FFr19.80 at FFr455.60.

There were strong gains elsewhere on what dealers described as a further outbreak of rampant takeover talk. Rhône Poulenc, up FFr1.70 at FFr167.70, kept the pot boiling as it announced that it planned to merge its animal health activities with those of Merck of the US.

Carrefour gained FFr157 to FFr3,277 after it raised its stake in GMB, the owner of the Cora supermarket chain, by 8.1 per cent to 41.4 per cent. Credit National, which jumped 7.5 per cent on Thursday on bid rumours, continued to gain ground, adding FFr2.20 to FFr306.

On the downside, Renault fell FFr3.30 or 3 per cent to FFr107.20 after a gloomy forecast about French car sales in 1997.

AMSTERDAM was underpinned by a strong early showing on Wall Street. The AEX index ended up 7.13 at 625.56 and PolyGram, the music offshoot of the Philips electronics giant, led individual stocks with a gain of Fl 5.70 or more than 7 per cent at Fl 85.70.

Nutricia put on Fl 10.30 or 4 per cent to Fl 263.50 after the foods group announced plans for a dairy foods business swap. Among internationals, Unilever rose Fl 3.40 to Fl 291.40 and Royal Dutch by Fl 2.10 to Fl 293.60.

FRANKFURT had unchanged interest rates, a Bundesbank cut in its M3 growth target, plus gains in the dollar, bunds and on Wall Street to bite on. But its equities underperformed again, the Dax index coming in just 10.60 higher at an Ibis-indicated 2,824.83.

Turnover fell from DM9.2bn to DM9bn. Brokers said that investors were reluctant to take new positions ahead of the Christmas holidays and the expiry of DTB options today. However, there was movement in the banking and automotive sectors, both of which had been tipped as growth prospects for 1997.

In banks, Dresdner took the lead with a gain of 52 pfg at DM44.19. The sector theory was that growth in the German economy would trim banks' risk provisions next year.

Among carmakers, Volkswagen rose DM9.25 as Mr Christopher Will of Lehman Brothers saw the Lopez affair as a buying opportunity. Daimler put on DM1.35 to DM101.35. Here, there was further talk that the Mercedes Benz chairman, Mr Helmut Werner, chairman of Daimler's luxury car and truck unit, would leave the company, and that this would put an end to the infighting between Mr Werner and the Daimler chairman, Mr Jürgen Schrempp.

ZURICH saw downward pressure from falls in Sandoz and Ciba as investors positioned themselves for the start of trading in Novartis on Monday.

But Wall Street came to the rescue and the SMI index finished 6.8 ahead at 3,880.9, up from a low of 3,856.6.

Sandoz fell SFr23 to SFr1,502 and Ciba was SFr19 down at SFr1,604 on profit-taking, with some funds said to be selling to ensure that they were not too heavily invested in Novartis, which will have a weighting of 26 per cent in the SMI index.

Roche certificates, up SFr120 at SFr10,190, were another beneficiary of switching.

Swissair tumbled SFr62 or 5.7 per cent to SFr1,025 as high hopes for positive news from yesterday's press conference proved unfounded. The shares had been on the slide since late March, but reversed direction earlier this month, rising from SFr970 on December 6 to SFr1,069 on Wednesday.

MILAN moved ahead on hopes that forthcoming inflation data could open the way to a cut in interest rates and the Comit index finished 3.82 higher at 655.40.

Telecoms stocks, which would benefit from lower rates because of their high level of indebtedness, continued ahead. Stet added L104 to L6,744, Telecom Italia L56 to L3,798 and Tim L78 to L3,756.

Shares of Costa Crociere, the cruise ship operator which had been suspended since Monday, jumped L529 to L3,710 after being readmitted to trading. Airtours of the UK said that it had signed a letter of intent with Carnival Corp of the US to acquire the company.

STOCKHOLM rumoured that Sandvik was planning a share buyback; the B shares rose SKr8.50 to SKr180.50 although all the speciality metals and toolmaking group would admit to was an eye on a US quotation.

There were also hopes that a new Celsius flight surveillance system would open up a billion crown market; the defence company put on SKr6.50 at SKr102 as the Affärsvärlden General index closed 17.4 higher at 2,345.7.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Dec 19								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1861.44	1860.98	1860.16	1859.62	1860.00	1862.42	1865.59	1865.10
FTSE Eurotrack 200	1922.78	1921.01	1920.04	1921.02	1920.42	1924.20	1925.01	1925.12

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12
FTSE Eurotrack 100	1855.83	1847.55	1854.49	1832.24	1833.68
FTSE Eurotrack 200	1915.42	1898.43	1899.66	1879.95	1900.22

Base value 1000 (26/10/90); Highday: 100 - 1865.59; 200 - 1925.99 Lowday: 100 - 1858.65 200 - 1918.25. † Partial.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Aug 1996	Sep 1996	Oct 1996	Nov 1996	US $bn
Belgium	84.754	110.65	121.08	116.23	3.67
Denmark	32.90	37.51	43.99	31.67	5.37
Finland	13.98	14.40	20.82	21.35	4.63
France	131.51	225.15	244.54	302.37	57.86
Germany	124.14	168.24	184.42	249.49	162.22
Italy	41,528	50,252	51,300	57,868	38.19
Netherlands	42.10	47.10	61.60	58.00	33.61
Norway	29.80	47.00	40.58	42.52	6.62
Spain	892.84	1,345.32	1,872.79	1,983.28	15.31
Sweden	116.00	148.20	194.20	176.60	26.29
Switzerland	27.78	30.19	35.03	40.43	31.04
UK	54.10	57.67	*	*	*

Volumes represent purchases and sales.
**Estimated; figures for October and November not available, due to difficulties arising from the move to the Crest settlement system.*
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

Boosted by the spectacular debut for Deutsche Telekom, the German telecoms giant, equity market turnover on continental bourses rose sharply last month. According to Mr James Cornish at NatWest Securities, domestic turnover across Europe expanded by 17 per cent to improve significantly on the 13.7 per cent of October, but was still some way short of the 36.5 per cent rise notched up in September. Domestic volumes in Germany led the way. The Dax index advanced by more than 5 per cent during November and, combined with heavy initial trading following the flotation of Deutsche Telekom, this helped push up overall volume by 35.3 per cent.

Tokyo hits 1996 low as Seoul rebounds 4.5%

ASIA PACIFIC

Late waves of selling, particularly by foreign investors, drove **TOKYO** down 2.6 per cent to a new 1996 closing low. Nearly 500 issues rewrote their year-to-date lows as the 225 average registered its third-largest daily loss this year, *writes Gwen Robinson.*

The Nikkei 225 average fell 522.36 to 19,570.67, after moving between 19,560.39 and 20,098.62. Following the previous day's 1.6 per cent drop, a report in Japan's financial press about the impact on wages of the scheduled increase next April in consumption tax, from the current 3 per cent to 5 per cent, and the end of special tax breaks, fuelled concerns about the economy and personal consumption.

The downward momentum accelerated in the afternoon on heavy foreign selling pressure. Volume swelled to an estimated 421m shares, against Wednesday's 343m, as individual investors rushed to sell speculative issues and foreign investors dumped electricals and securities houses. Declines led advances by 1,069 to 93, with 69 unchanged.

The Topix index of all first-section stocks shed 28.75, or 1.92 per cent, to 1,469.73 and the capital-weighted Nikkei 300 was down 4.89 at 279.09. In London, the ISE/Nikkei 50 index rose 2.50 to 1404.36.

Analysts noted the absence of public investment funds, including pension funds, which often underpinned the market on dips. "There's really no reason to support the market ahead of year-end corporate book closing, and at the same time there's a lot of nervousness about what's happening on Wall Street," said Mr Richard Jerram of ING Barings. Foreign investors, in particular, were increasingly reluctant to take more risks ahead of the Christmas and New Year holiday period, he added.

As a sector, securities houses retreated by as much as 5.2 per cent to hit further 1996 lows. Nikko Securities fell Y39 to Y916, Daiwa by Y100 to Y1,050 and Nomura by Y40 to Y1,780. Speculative issues were dumped: Clarion, the car audio equipment maker, slid Y49 to Y531.

Among the few international blue chips to gain, Toyota added Y20 to Y3,130 and Canon Y10 to Y2,370. Foreign selling focused on electricals as well as securities houses, Hitachi shedding Y30 to Y1,040 and NEC Y40 to Y1,310.

Non-life insurers, however, reversed their downward trend following big losses earlier this week on concerns about the US-Japan agreement on deregulating Japan's non-life insurance industry. Tokio Marine and Fire advanced Y30 to Y1,060 and Mitsui Marine and Fire by Y14 to Y591.

In Osaka, the OSE average plunged 375.68 to 20,098.61 and volume soared to 78.4m shares.

SEOUL rebounded 4.5 per cent after a six day losing streak amid reports that the finance ministry had urged pension fund supervisors to buy Won300bn worth of shares by the end of the year.

The composite index finished 29.58 higher at 690.97, led up by recent underperformers. The securities sub-index gained 6.1 per cent to 1,277.90 as Dongsuh Securities rose Won500 to Won8,100 and Daewoo Securities climbed Won800 to Won12,200.

Brokers attributed the gains to improved sentiment, which made for renewed demand from retail investors, adding that pension funds had not yet started buying heavily.

BANGKOK hit a new low for the year after another session of concerted foreign selling. The SET index came off 21.22 or 2.5 per cent to 832.60.

Sales of leading stocks by foreign fund managers were said to have sparked heavy forced selling by local retail clients. The market had been weak since Tuesday's economic policy statement failed to restore investor confidence.

Krung Thai Bank was again the most active stock. It ended off Bt4 at Bt52 for a two-day decline of close to 15 per cent.

HONG KONG saw strength in some blue chips which took the Hang Seng index 80.54 higher at 12,846.56 and while turnover picked up to HK$7.2bn, the overall tone was subdued ahead of the holiday period.

HSBC Holdings closed HK$2 higher at HK$157, while Hutchison and Sun Hung Kai Properties each rose HK$1.25 to HK$58.00 and HK$92 respectively.

SINGAPORE was propped up by a 30 cent rise in Cycle and Carriage to S$17 in otherwise quiet conditions and the Straits Times Industrial index finished 3.75 higher at 2,199.35.

WELLINGTON closed lower with large trades in NZ Telecom boosting turnover. The 40 capital index came off 15.31 to 2,335.91. Telecom came off 10 cents to NZ$7.20 in NZ$105m of turnover. Brokers cited selling by offshore players.

SYDNEY moved ahead in quiet pre-Christmas trade with the All Ordinaries index ending up 8.0 at 2,331.7. BHP added 12 cents at A$17.05 ahead of today's results. Foster's gained 5 cents to A$2.41 amid talk that the brewing group may buy BHP's stake in the company.

MANILA shares surged in active trading, the composite index gaining 48.58 or 1.6 per cent to 3,154.38. Brokers said fund managers had been busy squaring their books ahead of the Christmas shutdown. Turnover was 3.7bn pesos.

SHENZHEN saw further heavy losses that took the domestic A index down 8.7 per cent to 357.85 while the hard currency B shares gave up another 5.4 per cent to 126.54. **SHANGHAI's** A index dropped 5.4 per cent but its B shares held steady, with the index up 0.091 at 64.343.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 18 1996								TUESDAY DECEMBER 17 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	211.10	-0.1	187.12	151.67	170.59	177.24	0.3	4.33	211.32	187.29	151.96	169.78	176.57	224.61	187.53	189.07
Austria (24)	186.23	-0.6	165.08	133.80	150.49	150.43	0.0	1.90	187.30	166.01	134.69	150.49	150.41	195.04	168.36	171.54
Belgium (27)	222.71	0.2	197.42	160.02	179.98	175.94	0.8	3.78	222.18	196.91	159.77	178.51	174.55	229.11	203.64	206.50
Brazil (28)	187.67	2.6	166.35	134.84	151.65	358.49	2.3	1.71	182.89	162.09	131.52	146.94	350.48	189.70	131.21	132.02
Canada (115)	183.29	0.4	162.47	131.69	148.12	181.40	0.3	2.01	182.59	161.83	131.31	146.70	180.84	196.24	144.35	144.35
Denmark (30)	336.44	0.1	298.23	241.73	271.88	272.05	0.6	1.69	336.03	297.82	241.65	269.98	270.31	340.41	261.10	267.24
Finland (24)	235.37	1.1	208.64	169.11	190.20	229.09	1.5	2.19	232.86	206.38	167.45	187.08	225.62	244.11	171.73	179.12
France (93)	204.33	0.3	181.13	146.81	165.12	168.38	1.0	2.90	203.73	180.56	146.51	163.68	166.69	212.49	172.05	173.28
Germany (59)	184.38	-0.3	163.44	132.47	149.00	149.00	0.2	1.62	184.99	163.95	133.03	148.63	148.63	189.86	161.25	163.53
Hong Kong (59)	485.46	-0.8	430.33	348.80	392.31	482.26	-0.8	3.23	488.39	432.85	351.21	392.38	485.15	513.18	372.56	375.79
Indonesia (27)	224.63	1.1	199.12	161.40	181.53	324.36	1.1	1.57	222.21	196.95	159.80	178.53	320.73	-	-	-
Ireland (16)	313.99	0.4	278.33	225.60	253.74	265.94	0.5	3.45	312.78	277.21	224.93	251.30	264.61	321.14	250.17	253.45
Italy (58)	81.55	0.8	72.28	58.59	65.90	93.13	1.2	2.23	80.86	71.67	58.15	64.97	91.98	84.53	69.68	71.38
Japan (480)	133.86	-1.1	118.66	96.18	108.18	96.18	-1.2	0.80	135.31	119.92	97.30	108.71	97.30	164.68	133.80	152.74
Malaysia (107)	580.52	-0.3	514.59	417.10	469.12	564.31	-0.3	1.11	582.02	515.84	418.54	467.61	565.88	607.65	477.30	480.73
Mexico (27)	1195.01	1.6	1059.30	858.60	965.70	10249.35	1.1	1.08	1176.91	1042.99	846.27	945.48	10136.31	1325.65	971.85	971.65
Netherland (19)	318.17	0.4	282.04	228.61	257.12	253.26	1.0	2.92	316.86	280.83	227.86	254.56	250.79	328.12	265.24	267.62
New Zealand (15)	91.77	-0.5	81.35	65.94	74.16	69.03	-0.1	3.99	92.21	81.72	66.31	74.08	69.12	94.40	75.84	77.96
Norway (35)	277.33	-0.2	245.83	199.26	224.11	243.73	0.2	2.07	277.82	246.22	199.78	223.21	243.13	286.15	222.24	227.06
Philippines (22)	196.84	-0.3	174.49	141.43	159.07	257.90	-0.3	0.64	197.40	174.95	141.95	158.60	258.63	-	-	-
Singapore (43)	414.23	0.3	367.19	297.62	334.74	267.00	0.2	1.03	412.89	365.94	296.92	331.73	266.44	465.21	371.28	396.43
South Africa (44)	305.37	1.3	270.69	219.41	246.78	312.04	0.3	2.52	301.49	267.21	216.81	242.23	311.00	437.76	301.49	387.39
Spain (37)	204.89	1.1	181.62	147.21	165.57	203.14	1.6	2.98	202.72	179.67	145.78	162.87	199.84	204.89	159.66	161.38
Sweden (48)	408.05	1.4	361.71	293.18	329.75	413.85	1.8	2.06	402.43	356.68	289.39	323.32	406.40	416.67	294.19	300.62
Switzerland (37)	236.47	-0.3	209.62	169.90	191.09	195.23	0.5	1.52	237.30	210.32	170.65	190.66	194.24	254.34	219.29	232.27
Thailand (45)	105.33	-1.6	93.37	75.68	85.12	104.60	-1.7	3.28	107.09	94.91	77.01	86.04	106.36	193.95	105.33	163.95
United Kingdom (213)	269.98	0.9	239.32	193.96	218.17	239.32	0.9	3.97	267.64	237.20	192.46	215.03	237.20	273.93	222.43	222.93
USA (623)	297.72	0.8	263.91	213.91	240.59	297.72	0.8	2.02	295.42	261.82	212.44	237.35	295.42	307.82	243.34	246.90
Americas (793)	272.12	0.8	241.21	195.51	219.90	228.94	0.8	2.00	270.00	239.29	194.16	216.92	227.18	281.50	222.53	224.82
Europe (720)	230.15	0.5	204.01	165.36	185.98	198.75	0.9	2.92	229.06	203.01	164.72	184.03	197.04	234.58	194.31	195.96
Nordic (137)	348.74	1.0	309.14	250.57	281.82	308.24	1.4	2.02	345.30	306.04	248.32	277.43	303.85	355.51	261.13	267.55
Pacific Basin (874)	151.49	-0.9	134.28	108.84	122.42	109.88	-0.9	1.26	152.84	135.46	109.91	122.80	110.91	177.01	151.45	162.77
Euro-Pacific (1594)	184.17	-0.2	163.25	132.32	148.83	143.40	0.0	2.14	184.50	163.52	132.68	148.23	143.39	191.51	175.04	176.49
North America (738)	290.79	0.8	257.77	208.93	234.99	290.06	0.8	2.02	288.60	255.78	207.54	231.87	287.87	301.15	237.55	240.57
Europe Ex. UK (507)	204.13	0.2	180.95	146.67	164.96	173.87	0.9	2.30	203.64	180.48	146.44	163.61	172.39	209.70	174.81	176.90
Pacific Ex. Japan (394)	303.86	-0.3	269.35	218.32	245.55	262.35	-0.2	2.85	304.76	270.11	219.16	244.86	262.85	317.82	257.81	259.70
World Ex. US (1808)	186.02	-0.1	164.89	133.65	150.32	148.53	0.1	2.13	186.20	165.02	133.90	149.60	148.45	193.47	176.03	177.37
World Ex. UK (2218)	216.54	0.2	191.95	155.58	174.99	186.54	0.3	1.87	216.05	191.48	155.37	173.58	185.95	224.89	196.13	196.16
World Ex. Japan (1951)	266.87	0.6	236.56	191.74	215.66	251.91	0.7	2.37	265.25	235.09	190.75	213.11	250.07	274.88	224.52	224.52
The World Index (2431)	221.10	0.3	195.99	158.86	178.68	191.39	0.4	2.09	220.46	195.39	158.54	177.13	190.67	228.97	199.47	198.54

Latest prices were unavailable for this edition.